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ECONOMIC AND INDUSTRIAL AFFAIRS

No. 1993



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RESULTS OF COAL EXPLORATION EFFORTS DISCUSSED

Budapest MAGYAR IFJUSAG in Hungarian No 5, 1 Feb 80 pp 7-9

[Article by Laszlo Varga: "The Land of Promise"]

[Text] No matter how strange it sounds: even good fortune can be an "unpleasant" visitor! This is what happened recently in the Mecsek coal fields where renewed hard coal research promises results to surpass all expectations. This in spite of the fact that the following can be read in the respectable volume published in 1972 by MTA's [Hungarian Academy of Sciences] Transdanubian Scientific Institute (Regional Study of the North Mecsek Mining Area): "However, the suspicion was well-founded that insufficient exploration in the area may have caused the unjustifiably high hard coal estimates. More proof was needed."

Since then the proof only substantiated the earlier estimates. But what is to be done with the "unexpectedly" found huge treasure ...?

Joy for Geologists

Coming from Pecs on the main highway No 6, we descend into the Obanya [Old Mine] valley after crossing the Mecsek [mountain] and in front of the little Arpad-era [9th century settler] chapel. The rough-terrain [4-wheel drive] GAZ [Soviet make] car has quite a struggle on the frozen road and with the steep, bumpy slopes which lead to the exploratory drillings in the valley. The northern wind stings, the car's wheels also spin as we cross the little frozen brook, a cold shower splashes up to the tarp from under the ice as it breaks under us.

[Answer] There is frost on the trees here even on summer dawns says head drill master Jozsef Martonfalvi at the foot of the V-16 drilling tower.

[Question] But I see that the machine is working even in this miserable weather ...

[Answer] It has to! The "old man" breaks into a smile. We keep urging it on, too, and we are also curious what there is down there below? We are now at 900 meters and we cannot complain ...

[Question] Is that your opinion also? -- I turn to the exploration's head geologist Tibor Szilagyi who stands between the core boxes, in a cap pulled over his ears, visibly cold.

[Answer] In spite of appearances I am very glad because finally I am able to thoroughly do geologist's work! This is real joy to a geologist when a person finds what he by his heart would like to find ...

[Question] That is, there is coal?

[Answer] The best kind! Look at these samples! -- he points to them, one after the other. I myself can also see the black color, but it could also easily be shale, which also looks like coal after a fresh drilling. Only in hand can one see that it is quite different. Shale is much heavier, more dense, coal is softer, lighter, I think I could perhaps even crush the coal if I wanted to.

[Question] What is the geologist's task here now?

[Answer] Examining the core samples on-site, which will be followed later by qualifying analysis in the laboratory after transporting it in. For the most part a geologist with good eyes can go here for the sure thing ...

Suffering, lurching over the hills here and there, we climb back to make our way to other tower not far away, to exploration point V-13. A truck-mounted machine is working here, the compressor attached to it drowns out all other voices and sounds around it.

This is a completed drilling -- brigade leader Karoly Samu tells us. -- "We are now looking for water, it would be good for the village down below, for Mecseknadasd."

[Question] How far down are you?

[Answer] At 280 meters and we can bring up 20 liters of water per minute. Sixty with the compressor but even that seems to be too little ...

Dr Gyorgy Polai is one of our escorts. He is inviting us up to top of the frozen dregs pile from where we can see far in the whole valley which opens up before us, and which is closed off to the north by hills.

[Answer] This is the land of promise! -- he points towards the vineyards on the hills to the left, opposite us. -- There are large quantities of very thick hard coal deposits beneath us within easy-to-reach depths. This is where "we've grabbed god's [sic -- not capitalized] leg!" -- he says, smiling.

Much More Than Half a Billion

The approximately 20 square kilometer exploration area, which is also a protected regional area, is ringed by Mazaszaszvar, Tolnavaralja, Nagymanyok, Mecsek nadas and Obanya, and is also called Mecsekhatasag [Mecsek's back region]. There is a sudden end of the forests here and a valley follows on the other side of Route 6; spotted with sections of plowlands and grape-covered hills. Exactly across from them, on top of one of the hills there is now another tower in which the ZIF-1200 [expansion unknown] Soviet core drilling equipment will be installed within 2 weeks; it has proven excellent in the course of explorations thus far.

Dr Gyorgy Polai is the chief geologist engineer of the Mecsek Coal Mining Enterprise of the Hungarian Coal Mining Trust. Endre Kovacs is also a geologist engineer of the enterprise and he is responsible for the entire exploration program. The exploratory drilling is conducted by the experienced professional group of the National Geologic Exploration and Drilling Enterprise's Transdanubian Operating Department.

[Question] How long has the Mecsek's structure been exciting the geologists?
-- I asked them.

[Answer] Recent curiosity began in the 1920s -- says Endre Kovacs. -- West of the present area. Even then the joyful pronouncements of the geologists were received with doubt when they estimated the new coal treasure hidden in the depths at 25 million tons, with very careful estimates of the time. In addition, there was no core drilling at the time, the geologist received the sample in a molded form, which he then had to analyze ...

[Question] When did exploration again have an upswing?

[Answer] After the liberation, in the mid-1950's cross-auditing of the one-time hard coal veins with exploratory drillings was tried again. Unfortunately it was very short-lived, and the planned, continuous work which has lasted to this day was not truly begun again until 1976, after almost two decades of "forced rest".

[Question] What provided the new incentive?

[Answer] I think I can word it this way without immodesty: it was done at our initiative. With moral, intellectual and material support from the Hungarian Coal Mining Trust and the Central Geological Office our geologists were able in 1975 to begin working out a detailed exploration program, replies Dr Gyorgy Polai. Our goal was to discover the coal inventory and geological situation of the area mentioned. In the last 5 years we completed 14 drillings, and another 4 are now in the stage of being deepened. Exploration is continuous.

[Question] What does the summary of experience gained thus far mean to the exploration expert?

[Answer] Cautious joy which is further reinforced by each additional hole drilled. According to our experiences and opinion our drillings have identified large quantities of hard coal deposits which are worth mining, the total thickness of which at certain places even exceeds 60 meters. We have also seen total thicknesses in excess of 100 (!) meters. True, these were with layer repetitions. But even without the layer repetition the drillings penetrating the basin went directly through 40 to 45 meter coal thickness! The slant angle of the hard coal deposits (which is important from the viewpoint of operating the mines) is also very favorable.

[Question] What is your estimate?

[Answer] There are much more than half billion tons (!) of good quality, for the most part cokeable hard black coal beneath our feet!

[Question] What is the annual plan of the Mecsek Coal Mines Enterprise?

[Answer] Production of 3 million tons of coal ...

National Economic Interest

We continue our conversation in Pecs in the headquarters of the Mecsek Coal Mines Enterprise, headquarters of the geologists. In Dr Gyorgy Polai's room maps, drilling crossections, photographs of drilling samples cover the walls. Endre Kovacs unrolls a several meters long tracing paper on the long conference table. It is an accurate map of the areas thus far explored.

[Answer] It can all be clearly read off from this -- Endre Kovacs says smiling, adjusting his glasses. -- It can also be seen here that the explored coal fields are located in a favorable average depth, no deeper than our coal mines currently in operation in the Mecsek coal basin. In general we have drilled down to a depth of 1,000 meters.

[Question] What becomes of the recent explorations?

[Answer] A group of experts has been requested at the Miskolc Heavy Industrial Technology University to prepare a geological evaluation report based on our results.

[Question] Why is this important?

[Answer] Because in case of a confirming reply this can form the objective basis for a possible investment proposal -- says Dr Gyorgy Polai.

(That is, money "over the plan" would be needed to start the investments! On the other hand even the exploration program has not yet been completed. Even to plan the investment work about 15 or 16 more drillings are necessary, and this may take two and a half to three years. In the opinion of the experts the results of these will also prove them right.)

[Question] Are you certain of the quantity of the coal find ...?

[Answer] Indeed, even of its quality! -- Dr Gyorgy Polai emphasizes. -- In our opinion 70 percent of the estimated coal quantity is cokeable, that is, excellent quality hard coal! The region's huge coal treasure calls for establishing such a modern mining plant which taking into consideration the coal treasure's central location will make it possible to develop larger production volumes than in the past. Starting the production does not depend on us but on the national economy's available resources ...

[Question] At this moment what ratio of the needed cokeable coal quantity do the domestic sources provide?

[Answer] About one-fifth ...

[Question] What are the long range plans of the Mecsek coal basin?

[Answer] By 1990 for example we must provide 900,000 tons of coke-coal concentrate -- Endre Kovacs reads from a tabulation. -- I must add to this that by the turn of the millenium part of our now still operating mines will probably be exhausted, shut down. With a sober mind, I can imagine fulfillment of the designated concentrate quantity only if by then the now explored area of Mazaszaszvar and Varalja will also actively begin to produce.

[Question] How much is now the market price of hard coal?

[Answer] Presently 1,000 to 3,000 forints per ton depending on quality and on the usage requirement.

To simplify it: I tried to multiply the half billion tons by just a round figure of 1,000. If my arithmetic is right: eleven (!) zeros must be written after the first digit. Expressing it in terms of forints at this moment: at least this value of coal quantity lays in Mecsek's womb. Exploiting it as soon as possible is in the national economy's interest.

We hope this area will not remain the "land of promise" for very long. I think it is an additional source of joy that the experts have found such a large treasure in such energy-poor times. Perhaps after final completion of the explorations the national economy will also have the strength to open up the new coal fields.

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SOCIAL FINANCING IN UNDERDEVELOPED REGIONS ANALYZED

Sarajevo PREGLED in Serbo-Croatian No 1, Jan 80 pp 27-40

[Article by Momir Cecez]

[Text] 1. Introduction

The efficiency of investments in economically underdeveloped regions has a distinguished place among the many urgent problems related to their development both in the world at large and also in Yugoslavia.

Although fairly exact criteria and indicators are used in preparations and decisions concerning investment projects, experience in the world and also in the SFRY has shown that investments from industry to industry and from region to region have differing economic benefits from the use of those funds. The various methods which we use to measure the efficiency of fixed capital are oriented less toward measuring differences in efficiency from industry to industry and more toward differences in efficiency from region to region. This kind of one-sided orientation is more favorable to the conception of the existence of large differences in the efficiency of utilization of social capital (drustvena sredstva) between our advanced and underdeveloped republics and provinces than it does a full-fledged scientific examination of the problem.

It is our intention in this article to contribute to a more full and complete examination of the efficiency of utilization of funds in the advanced and underdeveloped regions in the SFRY; on this occasion we shall not cover the methods by which investment projects evolve, which are rather well known in both theory and practice, but will limit ourselves to certain aspects of the results of business operation and measurement of the efficiency of utilization of social financing in the SFRY.

World development to date confirms the increased concentration of economic capacities in the advanced centers and countries, along with the simultaneous growth of capital investments in the underdeveloped regions and a somewhat higher growth rate of the social product in the underdeveloped countries, but with a broadening of the gap in level of economic development

measured in absolute terms. Though contemporary economic thought has noted that gap, it still has not found ways of overcoming it. That is, in world economic theory (and practice) the dominant economic mechanisms, concepts, methods, criteria and indicators of business performance are based on the foundation of capitalist economic theory, which contributed to the occurrence and deepening of those differences in the first place. Only the more recent attempts in socialist economic science and then our practice in Yugoslavia, the struggle for the new international order, and economically more objective evaluation of all development factors (including environmental protection) are headed in the direction of overcoming the defects of past theory and practice in this domain.

Contemporary economic development theory notes many shortcomings from previous periods and devotes considerably more attention to the structure of development and evaluates more completely both the factors of economic development and also the effects. Regional development theory, which has specifically worked on measuring the level of economic development, has also developed considerably. We lack theoretical treatment, especially of the regional development of the republics and provinces. Our socialist regional development theory cannot adopt the international standards of regional development--not only because we represent a unified market in the SFRY, but also because of the specific goals of economic development jointly agreed on, and those goals with respect to development of the underdeveloped regions in the SFRY are well known.

Any economic activity should first be evaluated in theory and practice from the standpoint of the goals we wish to achieve. On that basis the very concept of efficient utilization of social financing is broader than the conventional idea of profitability as defined by capitalist theory and practice.

It is well known that the joint goals of Yugoslavia's economic development are set forth through the democratic procedure of concluding self-management accords and compacts as well as through the sociopolitical system of our federal community and that those goals are manifold and complex.

In our economic theory, and indeed in our efforts to summarize and explore the economic laws of self-management socialism, we are also striving to find the appropriate economic indicators that would reflect those economic laws and fulfillment of the goals which we have set. Unfortunately, it is usually not possible in the complicated problem area of economic development and the goals which we set ourselves to find or to rely on a single indicator. It is thus well known that in our theory, in evaluation of economic positions, and also in measuring the efficiency of business operation of various sectors, industries and groupings of the economy, we have not found a unified or overall indicator. Most economists agree that in evaluating business performance and economic position we must use at least two indicators: rate of return relative to average capital employed and income per worker employed. In evaluating the efficiency of utilization of social

capital /in our practice various indicators have been used: for example, the capital coefficient or the marginal capital coefficient, and then income relative to average capital employed, return on capital, income per worker employed, and so on. Though it is well known that all these indicators are objectively different from industry to industry and that they incorporate the principal defects of the market economy, and then inherited relations in the economic position of various industries in Yugoslavia, as well as large differences in the technical conditions of business activity in the various sectors of the economy, the number of authors who have written on this subject and the number of relevant internal working papers of government agencies is nevertheless small; we take all this into account in comparing the efficiency of utilization of social capital in the advanced and underdeveloped republics and provinces in Yugoslavia. That is, it is well known that the present international market relations give preference to the economically more advanced countries and that Yugoslavia stands in opposition to relations of that kind and pursues that position through the struggle for the new international economic order. It is also well known that our internal prices and relations in many sectors of the economy are influenced considerably by the world prices and relations. It is also well known that for a rather long time we have maintained price disparities between industries and groupings because of the dual system - price setting (price ceilings), and this has had a very specific effect on economic results and development of certain industries and regions of Yugoslavia. It is also well known that the principal economic parameters related to technical progress, the volume of investments and the value of fixed capital, the size of the work force, and so on, vary considerably from industry to industry.

Given the considerable variation in the industrial makeup of the economy from one republic or province to another, we find that the problem of measuring the efficiency of social capital in order to compare the republics and provinces in Yugoslavia is a very complicated and delicate one.

We make very frequent use of the capital coefficient or the marginal capital coefficient as the principal indicator of the efficiency of utilization of social capital by republics and provinces. However well established these indicators may be in the world literature, they have limited value for any sort of comparison when countries or regions being compared have differing economic structure. They have limited value depending on the length of the period to which they pertain (they are more valuable when applied to longer periods of time). For that reason we cannot accept the results and conclusions which are drawn in Yugoslavia concerning the efficiency of the economy in the advanced and underdeveloped regions that are based on the capital coefficient and the marginal capital coefficient. To be sure, some authors* use the method of computing efficiency by equalizing

* Turcic, Ivan, "Indicators of the Efficiency of Yugoslav Industry by Opstinas," in a publication of the Zagreb Economics Institute, *Informator*, Zagreb, 1975.

the economic structure and then go from there to compare the capital efficiency of industry from opština to opština. In various analyses, more internal ones than published, indicators are also presented and comparisons made between the republics and provinces on the basis of the rate of return, income relative to fixed capital and income per worker employed. Although these indicators have greater value in comparing the efficiency of utilization of capital in the advanced and underdeveloped regions, complete and objective conclusions nevertheless cannot be adopted by examining and considering them in the overall. The first reason is that these indicators also incorporate differences in economic structure from one republic or province to another, and that affects the total global value of those indicators. Second, all these indicators are derived from income and returned, which are essentially affected not only by internal factors of economic management (productivity, economic efficiency, and the like), but by external factors as well, such as the price regime, market relations, the foreign trade system, monetary and credit conditions, and so on. These and a number of other elements suggest that efficiency should be measured in considerably broader terms than we have so far done. In making this effort we should stick as closely as possible to our own reality, the specific relations in economic structure, the various economic parameters of the republics and provinces, economic position and business performance. I feel that such approaches are much more realistic and constructive and indeed more scientifically objective than any general models and indicators (though their value even under our conditions when correctly used should not be overlooked).

Following out the idea we have suggested, in the discussion below we shall present for certain periods of time the principal data, parameters and indicators on development and economic structure in the various republics and provinces and data on economic position and business performance of various economic sectors and industries by republics and provinces and shall compare the data or indicators of efficiency of utilization of capital in the advanced and underdeveloped regions on that basis.

We have already said that in order to examine the efficiency of social capital we must furnish several indicators and relations in economic development and the business operation of the economy. Since our country's development and also that of individual regions is primarily bound up with investments, that is, with the growth of fixed capital, we will begin with those indicators.

The growth of the social product of the entire economy is the same in the two regions both in permanent prices (about 6 percent) and current prices (9 percent) over the postwar period as a whole. However, differences are felt in the share of the advanced and underdeveloped regions in the social product of the entire economy. That is, the advanced regions today, with a share of about 75 percent in Yugoslavia's fixed capital, provide 78 percent of the social product, while in the underdeveloped regions these figures are 25 and 22 percent, respectively.

These figures suggest the conclusion that the utilization of fixed capital in the economically underdeveloped regions is 3 index points below the average and 6 points below that of the advanced regions. In order to round out the picture of the present situation concerning utilization of fixed capital and the social product of the public sector of the economy, we will also present relative indicators on business performance by republics and provinces and the totals for the advanced and underdeveloped regions.

	Income Relative to Total Capital Employed		Capital Per Employee, SFRY = 100		Social Product Per Employee, SFRY = 100	
	1970	1975	1952	1975	1970	1977
Yugoslavia	37.5	33.1	100.0	100.0	100.0	100.0
Bosnia-Herzegovina	34.8	29.3	76.7	96.0	87.1	86.3
Montenegro	23.2	23.1	55.3	140.0	102.5	92.2
Croatia	41.4	33.4	100.0	106.6	109.7	110.3
Macedonia	33.9	23.6	75.0	83.3	74.6	74.9
Slovenia	46.6	37.4	125.8	113.1	121.3	119.8
Serbia	38.0	28.6	106.8	91.0	95.9	95.0
Kosovo	25.7	19.0	110.7	103.5	77.2	74.4
Vojvodina	34.6	36.7	101.5	94.4	94.0	101.0
Advanced regions	41.1	34.0	107.9	101.0	105.2	106.2
Underdeveloped regions	31.0	26.0	77.2	97.1	84.1	82.6

The first column shows how much income is earned per 100 dinars of average capital employed. In the Yugoslav economy as a whole we see a rather pronounced drop in income relative to capital employed, a considerably lower income per 100 dinars of social capital in the underdeveloped regions, and also a tendency toward reduction of the differences between the advanced and underdeveloped regions.

Differences in fixed capital per employee, as well as differences in the social product, along with the tendencies on the part of the underdeveloped toward a higher per worker share in fixed capital relative to the Yugoslav average and a lower per worker share in the social product of Yugoslavia (from 84 percent to 82.6 percent) also favor the conclusion that capital is not being as well utilized in the underdeveloped regions.

These phenomena call for more detailed analysis both from the standpoint of the economic structure in the advanced and underdeveloped regions and also from the standpoint of other external and internal factors which have an impact here.

2. Efficiency of Capital and Economic Structure by Republics and Provinces

There is no need to illustrate that because of the very nature of the various economic sectors and industries and also because of the differing rate

of development and application of scientific and technical advances, we have quite different degrees of participation of the various factors of production (capital and labor) from industry to industry. Nor is it necessary to state that in Yugoslavia, whose economic territory is all of a piece and which has a unified market, we have objectively emphasized the economic structure of the country as a whole. Along with natural and other factors, this has also contributed to differences in economic structure from one republic or province to another.

Dynamic postwar development in Yugoslavia has brought about many structural changes, to a lesser extent among the sectors of the economy and to a considerably greater extent within the industrial sector. Agriculture's share in the entire structure has been dropping except in Vojvodina, while the share of construction, trade and hospitality has shown a certain growth. Structural differences in terms of economic sectors from republic to republic have significance from the standpoint of the subject of our analysis if we compare the economic position of the various economic sectors to the average of the Yugoslav economy. Very extensive comparisons have been made in a book published by the Sarajevo Economics Institute entitled "Ekonomski položaj privrede" [The Economic Position of the Economy]. According to these results, based on a comparison of income earned relative to equilibrium income (equilibrium income is obtained when for each economic sector a computation is made of the average income of the entire economy relative to capital employed, average personal incomes and the average volume of community consumption), the index of the industrial sector is 98 percent of the average of the entire economy, that of agriculture (socialized sector) 97.6 percent, forestry 90 percent, transportation 95.4 percent, and construction 107.5 percent, trade 104.7 percent and the crafts and trades 107.3 percent (all for 1978 except agriculture, which applies to 1977). However, structural differences from one republic or province to another within the industrial sector have a more essential impact on economic position, and we shall present these data for the republics and provinces.

The differences in structure are very obvious and clear when we look at the capita: intensive and labor-intensive industries. The differences in indicators for income and generation of capital from industry to industry are considerable and show a spread of 1:4, and this has gone even higher in recent years.* For the sake of illustration we will also give the economic position of certain industries on the basis of indicators of equilibrium income.

* The Sarajevo Economics Institute worked out detailed relations in this connection for the last 4 years at the request of the Federal Bureau of Social Planning in a publication entitled "Analiza ekonomskog položaja privrede" [Analysis of the Economic Position of the Economy].

Structure of the Industrial Sector by Republics and Provinces, based on the share of total social product

Industry	Bosnia- Herce- govina	Noner- Slovenia	Croatia	Mace- donia	Slo- venia	Serbia	Romania	Yugo- slavia
Industrial sector as a whole								
Electric power industry*	8.9	17.8	7.2	4.7	4.1	8.5	11.1	100.0
Coal and coke	2.9	9.7	1.8	0.4	—	2.2	2.9	5.0
Petroleum	3.0	2.1	—	6.8	—	0.4	0.6	—
Ferrous metallurgy	3.8	10.6	16.8	3.0	6.0	3.9	8.8	9.4
Nonferrous metallurgy	3.8	2.8	8.4	1.3	6.4	2.6	7.7	3.6
Nonmetallic minerals	2.5	2.1	1.5	1.8	4.8	2.3	3.1	1.8
Metal manufacturing industry	19.4	18.2	10.9	13.4	7.1	27.1	29.6	7.7
Shipbuilding	1.4	—	2.6	4.3	—	0.1	0.7	—
Electrical products industry	5.0	2.9	4.1	5.6	2.9	7.3	3.1	2.4
Chemical industry	7.7	4.4	1.0	9.9	8.3	9.0	7.3	6.1
Building materials	3.4	3.4	2.1	5.8	1.9	2.9	4.3	3.6
Wood industry	6.6	11.4	9.1	6.1	3.7	9.8	2.7	4.7
Paper industry	1.7	2.6	2.4	1.4	0.6	2.5	1.7	1.8
Textile industry	1.5	9.5	9.4	11.7	18.6	13.1	9.3	11.8
Leather industry	1.1	1.1	2.1	2.4	2.7	3.8	1.5	2.1
Rubber industry	1.2	0.1	0.6	1.6	0.7	1.8	2.1	—
Food processing industry	9.2	6.6	6.1	10.9	9.4	7.5	6.7	7.6
Printing and publishing	2.1	1.3	2.3	3.8	2.0	2.2	4.5	3.7
Tobacco industry	2.3	1.5	2.3	2.0	16.5	1.4	5.1	3.4
Miscellaneous industry	6.5	—	—	0.5	0.1	0.9	0.7	0.4

* Original reads "Electrical products industry" here and below in table--; translator's note.

Sources:

"Savoupravni drustveno-ekonomski razvoj Jugoslavije 1947-1977" [Yugoslavia's Social-Economic Socioeconomic Development 1947-1977], Federal Bureau of Statistics; comprehensive report of the Federal Bureau of Statistics for 1977.

Indicators of the Economic Position and Economic Efficiency of the Group of Heavy and Manufacturing Industries

Economy as a whole = 100

	Actual Income (on basis of equilibrium income)		Total Rate of Return		Internal Rate of Return	
	1977	1978	1977	1978	1977	1978
Industrial sector as a whole	100.00	100.00	100.00	100.00	100.00	100.00
Heavy industries:						
Electric power	74.81	76.12	45.72	46.40	43.65	40.02
Iron ore production	89.91	85.39	72.86	56.78	61.50	42.30
Ferrous metallurgy	73.46	90.11	57.08	69.94	38.72	48.97
Nonferrous ore production	77.09	64.34	45.62	44.27	22.42	14.88
Coal production	97.81	101.61	85.81	88.33	81.95	79.18
Manufacturing industries:						
Metal manufacturing	108.84	109.61	133.44	135.15	145.25	144.90
Production of electrical machines and appliances	110.38	110.84	139.04	144.67	132.50	142.24
Production of fine wood products	95.94	96.75	104.86	144.88	118.42	125.91
Production of textiles	82.79	84.52	125.44	132.52	133.46	142.74

In the first group, that is, the heavy industries, income and the rate of return are considerably below the average for the economy, while in the other group (manufacturing industries) the reverse is true.

Figures on the structure of the industrial sector suggest several conclusions, and we would emphasize in the first place the conclusion that the share of most of the industries in the total industrial sector varies considerably from republic to republic and that a certain unevenness can be noted with respect to the metal manufacturing, textile and leather industries. We can also conclude that the energy and raw materials industries are more strongly represented in the underdeveloped regions than in the developed regions.

On the basis of data of the Federal Bureau of Statistics (comprehensive annual report for 1977) and the classification into energy and raw materials industries and manufacturing industries we will give the status of fixed capital, the social product and employment by republics and also the total for the advanced and underdeveloped regions.

Fixed Capital, Social Product and Employment in the Industrial Sector in
1977--Structural Relations

	Fixed Capital		Social Product		Employment	
	Energy and Raw Materials	Manu- fac- turing	Energy and Raw Materials	Manu- fac- turing	Energy and Raw Materials	Manu- fac- turing
Yugoslavia	48.2	51.8	24.0	76.0	14.9	85.1
Bosnia-Herce- govina	38.9	41.1	34.6	65.4	24.6	75.4
Montenegro	67.4	32.6	53.3	46.7	30.7	69.3
Croatia	46.9	53.1	22.5	77.5	10.7	89.3
Macedonia	52.4	47.6	27.6	72.4	17.1	82.9
Slovenia	38.1	61.9	15.0	85.0	11.0	89.0
Serbia	48.1	51.9	22.2	77.8	14.4	85.6
Kosovo	62.5	37.5	49.2	50.8	40.2	59.8
Vojvodina	36.0	64.0	17.1	82.9	6.9	93.1
Underdeveloped regions	60.0	40.0	41.0	59.0	10.7	89.3

Source: Comprehensive annual report for 1977, Federal Bureau of Statistics.

It is easy to see that at the level of Yugoslavia the raw materials and energy industries, with a share of 48 percent of the fixed capital, have a share of only 24 percent in the social product, while the manufacturing industries, which have a 52-percent share of the fixed capital, provide 76 percent of the social product. Relations in employment are still more favorable for the manufacturing industries. It is clear that relations of this also have an impact on the economic position of the advanced and underdeveloped with respect to social capital. But on the average the energy and raw materials industries in the advanced regions, with a 42-percent share of the fixed capital, furnish 19 percent of the social product, while in the underdeveloped regions, where their share is 60 percent of the fixed capital, they supply 41 percent of the social product, which is better than in the advanced regions. The conclusion to be drawn from this is that in terms of industries the yields of social product and income in the raw materials and energy industries, and that also means the efficiency of capital in those industries, are not lower in the underdeveloped regions than they are in the advanced regions.

We also analyzed the rate of return in industries over the time period from 1964 to 1976 and ascertained that in that period the rate of return (ratio of funds and reserves to average capital employed) was 5.4 percent in the electric power industry, 6 percent in coal and coke production, 7.7 percent in ferrous metallurgy, 8.2 percent in the pulp and paper industry, and 10.5 percent in nonferrous metallurgy, while it was 18.4 percent in the production of petroleum, 13.3 percent in the metal manufacturing industry, 13.5

percent in the chemical industry, 16.7 percent in the rubber industry, 11.5 industry in the wood industry, 15.9 percent in printing and publishing, and 14.9 percent in the building materials industry.

In all these industries the rates of return in 1976 and later were appreciably lower. It is clear that differences of this kind in the rate of return of the economy by industries have an effect on the economic position of republics and provinces in view of their differing representation in the republics and provinces. Only if we take the industries with the lowest rate of return do we see that they are mainly represented in the underdeveloped regions. The electric power industry has a share of 42.5 percent in the underdeveloped regions as a whole, while its share in the advanced regions as a whole is 23.9 percent. Coal and coke has a share of 27 percent in the underdeveloped regions and 5.7 percent in the advanced regions; ferrous metallurgy in 35.1 and 8.2 percent, respectively; the pulp and paper industry is 6.9 and 5.9 percent, respectively; nonferrous metallurgy is 33.9 percent and 12.1 percent, respectively. If on the other hand we compare the six industries which have the highest rate of return, then we see that petroleum, for example, has a share of 2.1 percent of the industrial sector in the underdeveloped regions and 16.4 percent in the advanced regions; for the rubber industry the figures are 23 percent and 5.2 percent, respectively; for printing and publishing they are 6.5 percent and 14.4 percent; for the building materials industry they are 18.5 and 19.2 percent; and for the chemical industry they are 19.8 and 31.8 percent.

It is clear that this situation in the structure of the industrial sector and the rate of return by industries have an essential effect on the overall indicators of efficiency of utilization of social capital by republics and provinces.

On the basis of these data we can conclude that the lower efficiency of social capital in the underdeveloped regions is primarily brought about by the industrial structure and only secondarily by other factors, on which we shall also present certain data.

3. Factors in the Efficiency of Utilization of Social Capital

It is not possible to cite all the indicators and factors in utilization of social capital. Here we will present only certain others of the greatest importance on which it was possible to obtain valid documentation.

a) Labor Productivity

We have already mentioned that human labor, that is, the productivity of labor, is an essential factor in the utilization of fixed capital. Here we are primarily interested in the ratios in level of productivity between regions (and not just the level itself), and we will present these relations for Yugoslavia.

Relations in the Level of Labor Productivity

	1965	1970	1975	1977
Yugoslavia	100.0	100.0	100.0	100.0
Bosnia-Hercegovina	89.2	87.1	89.6	86.6
Montenegro	99.1	102.5	89.5	92.5
Croatia	104.9	109.7	108.9	109.2
Macedonia	77.9	74.6	78.2	75.2
Slovenia	115.9	121.3	123.7	120.1
Serbia proper	103.0	95.9	91.1	95.4
Kosovo	81.7	77.2	76.0	74.7
Vojvodina	92.0	94.0	103.8	104.4
Advanced regions	104.4	105.2	105.2	106.1
Underdeveloped regions	86.3	84.1	85.2	82.8

Source: "Indeks" [Indices] and "SGJ" [Yugoslav Statistical Yearbook], published by the Federal Bureau of Statistics.

We can note that relations in the level of productivity between the advanced and underdeveloped areas are holding at approximately the same level and that productivity in the underdeveloped regions is considerably lower than the level in the advanced regions. This is also a general pattern throughout the world.

It is worthwhile to accompany the indicators of productivity with the trend and relations in personal incomes by republics and provinces.

	Trend of Nominal Average Personal Income, indices		Level of Nominal Personal Incomes in Relative Terms, SFRY = 100			
	1976/1963	1978/1976	1963	1970	1975	1978
Yugoslavia	1.240	120	100.0	100.0	100.0	100.0
Bosnia-Hercegovina	1.244	119	93.0	95.6	94.7	92.0
Montenegro	1.187	118	92.6	89.8	88.4	86.8
Croatia	1.284	120	102.8	106.9	106.0	107.0
Macedonia	1.222	119	85.3	84.3	85.7	83.2
Slovenia	1.143	120	124.9	117.3	115.1	116.3
Serbia	1.253	120	95.1	95.3	95.1	97.3
Kosovo	1.352	116	79.3	82.4	88.9	80.5
Vojvodina	1.395	118	88.8	92.5	99.2	96.6

Source: Federal Bureau for Social Planning: "Neki pokazatelji razvoja republika i pokrajina" [Certain Indicators of the Development of the Republics and Provinces], Belgrade, 1979, pp 152-153.

The trend of personal incomes is rather uniform throughout the republics and provinces, which corresponds to the general pattern of a steady rise of

personal incomes. It is important to note a certain linkage between the level of personal incomes and the level of labor productivity in the various republics and provinces. A lower level of personal incomes corresponds to the lower productivity in the underdeveloped regions, which favors the conclusion that the level of personal incomes in the underdeveloped regions has not affected the economy's rate of return in an essentially different way than in the advanced regions.

b) The Capital Coefficient

Though we take the view that the capital coefficient cannot be a completely reliable and qualified indicator of the efficiency of utilization of capital in regional comparisons within a single country, nevertheless, bearing in mind the data previously given on the economic structure of the various republics and provinces and also the general validity of this indicator, we will present data on the capital coefficient and the marginal capital coefficient in the belief that only limited value will be attributed to this indicator.

	<u>Advanced Regions</u>	<u>Underdeveloped Regions</u>
Capital coefficients:		
Average capital coefficient*		
Economy as a whole		
1952	2.51	1.85
1960	1.98	2.45
1975	2.32	2.94
Industrial sector		
1952	3.45	3.39
1960	2.66	3.58
1975	2.85	3.93
Marginal capital coefficient covering the same period for the economy as a whole**		
1966-1970	1.70	2.60
1971-1975	1.00	1.40
1976-1977	1.50	2.10

* The ratio of fixed capital at purchase value to the social product.

** The increment of economic investments relative to the increment of the social product (socialized sector of the economy).

Source: Taken from materials of the Federal Bureau for Social Planning.

c) The Time Factor and Investment Efficiency

The factor of time in construction of capital investment projects and its impact on the utilization of capital has not been widely treated in our

practice. However, in the economics literature this factor is mentioned quite a bit, and since it has a varying impact on projects depending on the length of construction time, I would like to point out its importance. In other words, projects in heavy industry take longer to build than projects in the manufacturing industry, and we have seen that the former have a considerably larger representation in the underdeveloped republics. Moreover, our construction times are very long (twice or three times as long as in the advanced capitalist countries), and on 80 percent of the projects the construction times contracted for are not met. Lengthy construction times have adverse economic effects both during construction and also in connection with the utilization of social capital. In the first place it means unrealized production over the prolonged period of construction, which means direct losses of social product and return (frequently we have indirect losses as well).

The time aspects also include the indicator of the obsolescence of fixed capital, and we would point to the somewhat higher degree of wear of fixed capital in the underdeveloped regions. Thus the degree of wear on fixed capital, measured by the ratio of its present value to its purchase value, was 61 percent in the advanced regions in 1961, 51.6 percent in 1975 and 35.3 percent in 1977, while in the underdeveloped areas in those same years it was 68.6 percent, 59.3 percent, respectively, and 46.4 percent in 1977.

The share of equipment in fixed capital by regions is an additional indicator related to the makeup of the factors of production. The share of equipment in the advanced regions was 34.8 percent in 1952, 39.3 percent in 1960, 42.9 percent in 1970 and 47.3 percent in 1975. In the underdeveloped regions the share of equipment was 29.1 percent in 1952, 35.6 percent in 1960, 39.9 percent in 1970, and 43.4 percent in 1975. It is still, then, 3-5 index points lower. This is another factor which has an impact on the efficiency of social capital viewed by regions.

d) Credit Terms and Indebtedness of the Economy

The efficiency of utilization of social capital is definitely affected by relations in the financial sphere as well. In our self-management system, in which to a considerable extent we have transferred the financing of investment projects to associated labor and in which credit terms and conditions are rather unfavorable (and at the same time the credit relationship is undergoing strong expansion), all this has an impact on the business operation and economic performance of organizations of associated labor. In order to avoid making this article any longer, we will merely present the principal indicators on the relative proportions of various sources of financing in the advanced and underdeveloped regions.

Gross Social Investments and Fixed Capital by Sources of Funds, in percentage

	<u>Advanced Regions</u>	<u>Underdeveloped Regions</u>
Organizations of associated labor in the economy		
1966-1970	41.4	23.8
1971-1975	49.5	26.1
Banks		
1966-1970	51.5	39.3
1971-1975	42.7	31.4
Federal funds		
1966-1970	2.5	6.1
1971-1975	1.0	1.8
Funds for development of the underdeveloped regions		
1966-1970	--	23.9
1971-1975	--	25.9
Sociopolitical communities		
1966-1970	4.6	6.8
1971-1975	6.8	8.2

Source: Special statistical bulletin of the Social Accounting Service.

It is clear that the considerably smaller share of "own" funds of organizations of associated labor from the underdeveloped regions in total investments puts organizations of associated labor from those regions in a less favorable position than those from the advanced regions. This also tends to make indebtedness higher in those regions and to detract from the capacity of basic organizations of associated labor in the underdeveloped regions to put aside depreciation and funds for reinvestment. To be sure, these relations are mitigated primarily by resources on rather favorable credit terms from the federal fund for development of the economically underdeveloped regions.

Most of the data we have presented indicate a rather low efficiency of our economy as a whole and a drop in efficiency and utilization of social capital in the country as a whole--both in the advanced and the underdeveloped regions. It is in this general problem of our economy that we should look at the shortcomings in the efficiency of utilization of social capital in the economically underdeveloped republics and provinces. It is especially important in this connection to point to certain economic phenomena which are not based on basic economic laws. Thus our growth rates of the capital-worker ratio (the value of fixed capital per employee) has always been faster than the growth of labor productivity. We also have a situation in which differences in the capital-worker ratio vary from industry to industry within the spread of 1:2, while income per worker varies over the range 1:10, and so on.

On the whole we can conclude that in our system and practice we have not done sufficient work on the economy of social capital, nor has it been appropriately arranged either in price policy and price relations or in connection with expanded reproduction. There is reason to conclude that this has a more adverse impact on the economically underdeveloped regions than on the advanced regions, for one thing because of their position on the unified Yugoslav market and because of their economic structure.

We can also conclude that efficiency should be examined primarily in terms of the efficiency of capital and labor productivity and that it should be measured by highly complex economic indicators and that in our situation regional efficiency is affected by the structure of the economy, the general economic position of the various industries and also by business performance.

Further, the data presented confirm that the efficiency of fixed capital of the socialized sector of the economy is lower in the underdeveloped regions than in the advanced regions. However, it is equally clear that to a considerable extent this is a consequence of the structure of the economy in the economically underdeveloped regions and that this is the origin of the seriousness of that problem not only from the standpoint of capital efficiency between the advanced areas and the underdeveloped areas but also from the standpoint of the structural problems of the Yugoslav economy. That is, for years now we have been striving to alter the unsatisfactory structure of our economy (proportions between the energy and raw materials industries on the one hand and the manufacturing industries on the other), and we see that the economic position of the raw materials and energy industries is considerably less favorable than that of the manufacturing industries, and that these structural proportions are changing very slowly (in spite of the goals jointly agreed to). In this situation the various economic entities are orienting more toward manufacturing plants since they are more profitable, and in objective terms they are thereby opposing the optimum and agreed structure of the Yugoslav economy. It is well known that all this has a very adverse effect on our balance of payments, since for a number of years now the share of processing materials has represented more than 60 percent of total imports.

The lower efficiency of capital in the economically underdeveloped regions results not only from the economic structure, but also from the somewhat poorer economic results in the manufacturing industries. It is certain that general weaknesses in economic performance have been manifested to a greater extent in these regions: for example, low level of utilization of capacity, low level of association in the economy, shortcomings of the market, shortcomings in the organization of work and low productivity, difficulties in international trade, problems related to an overburdened distribution of income, and so on. Both real cooperation on the one hand and scientifically tested methods and objective indicators of the efficiency of capital in the underdeveloped regions on the other could only contribute to development and to the effort to increase the efficiency of that capital in those regions and in Yugoslavia as a whole.

YUGOSLAVIA

AGREEMENT ON IMPLEMENTATION OF PRICE POLICY FOR 1980

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 8, 15 Feb 80 pp 259-262

[Agreement entered into 4 February 1980 in Belgrade by the Federal Executive Council, the executive councils of the assemblies of the republics and the executive councils of the assemblies of the autonomous provinces]

[Text] Article 1

The Federal Executive Council, the executive councils of the assemblies of the republics and the executive councils of the assemblies of the autonomous provinces (hereafter referred to as the "parties to the agreement"), within the limits of their competencies, and in conformity with the bases of the price system and public price control, shall undertake economic and other measures and activities to implement the established price policy, to accomplish the goals of stabilization and to perform other tasks as set forth in the Resolution on Policy for Implementation in 1980 of the Yugoslav Social Plan Covering the Period From 1976 to 1980 (hereafter referred to as the "Resolution").

The measures and activities referred to in Paragraph 1 of this article shall be undertaken under the operative conditions of the Law on Public Price Control (SLUZBENI LIST SFRJ, Nos 25, 1972, and 35, 1972), in conformity with Article 101 of the Law on the Bases of the Price System and Public Price Control.

The parties to the agreement shall endeavor and shall take steps to provide for commencement of enforcement of the Law on the Bases of the Price System and Public Price Control at the earliest date, but no later than expiration of the transitional period set forth in that law. To that end the parties to the agreement shall adopt the enactments envisaged by that law, shall furnish the conditions for establishment of communities for price affairs and shall direct their activity toward creation of conditions for organizations of associated labor and other self-managed organizations and communities to apply that law.

Article 2

The parties to the agreement, within the limits of their competencies, shall undertake measures and other activities to ensure a slower overall rise in the price of products and services throughout the entire country during 1980, as follows for particular sectors:

- 1) so that the rise of producer's prices in industry does not exceed 13 percent in December 1980 over December of last year;
- 2) so that producer's prices of agricultural products stay in line with the rise of producer's prices in industry;
- 3) so that the rise of prices of services in December 1980 does not exceed 12 percent over December of last year.

The total rise of prices set forth in Paragraph 1 of this article shall be based on an assessment of internal and foreign market conditions and on the proportions and tasks envisaged in the Resolution.

Article 3

The parties to the agreement are agreed that the share to cover distribution costs and the share of other conditions in the sales prices of products within their jurisdiction shall not exceed the absolute amount which obtained on 3 August 1979 regardless of whether these shares were fixed by relevant enactments or were set forth in self-management accords concerning the share to cover distribution costs concluded between organizations in the production and distribution sectors.

The parties to the agreement shall during the first quarter of 1980 monitor the effect of the measure set forth in Paragraph 1 of this article, particularly with respect to those products for which there was no change during 1979 in the share to cover distribution costs and other conditions and especially with respect to the principal raw and processed foods.

If on the basis of an analysis of the effect of this measure there is a need to change the share to cover distribution costs and other conditions for certain products, the parties to the agreement shall propose the necessary changes in enactments whereby the share will be changed by decisions concerning those products or will facilitate the enforcement of self-management accords concerning the share in joint revenues between organizations in the production sector and organizations in the distribution sector.

Article 4

The parties to the agreement commit themselves to undertake appropriate measures and adopt enactments to ensure that the rise of prices on products

and services in their competency, by sectors, will be in line with the overall rise of prices by sectors as stated in Article 2 of this agreement and in such manner that that rise of prices tends to mitigate price disparities and, insofar as is possible, to correct price relations.

Article 5

In discharging the obligations and creating the conditions set forth in Articles 2 through 4 of this agreement and by carrying out the tasks set forth in the Resolution in other domains of economic policy, they shall ensure that the rise of retail prices in December 1980 as compared to December of last year is at least 20 percent lower than the rise that occurred in the same period of 1979.

Article 6

The parties to the agreement are agreed that in proposing measures and adopting decisions to change the prices of products and services they shall collaborate with one another concerning products and services which have essential importance to implementation of the overall price policy agreed on, specifically the following:

- 1) electric power;
- 2) petroleum derivatives;
- 3) coal for commercial consumption and natural gas;
- 4) basic organic and inorganic raw materials of the heavy chemical industry;
- 5) cement;
- 6) raw hides;
- 7) paper pulp;
- 8) transportation services (rail freight and passenger traffic);
- 9) postal, telegraph and telephone services;
- 10) products of the timber industry and the wood industry;
- 11) basic foodstuffs.

The parties to the agreement are agreed that the collaboration referred to in Paragraph 1 of this article shall be conducted in such manner that the competent body of the party to the agreement shall be required to inform in writing the competent bodies of the other parties to the agreement concerning a proposal for adoption of a decision to change prices of these products

and services. If within 10 days of the date of delivery of the proposal, one or several parties to the agreement expresses disagreement in writing with the proposed price changes, and demands joint examination of the draft of the decision, the proponent of the decision to change prices shall be required to convene a meeting at which the question of the proposed price changes shall be debated.

Article 7

The parties to the agreement are agreed to undertake measures in implementation of the agreed price policy so as to slow down the rise of prices in such manner that as a rule in the first half of 1980 they shall refrain from price advances, especially with respect to products and services which in 1979 were allowed price rises higher than the agreed price policy or which experienced price rises in the second half of 1979.

Article 8

The parties to the agreement are agreed that within the limits of their competencies they shall undertake measures and adopt enactments which in themselves and through the other factors of economic policy set forth in the Resolution should ensure implementation of the established price policy. This especially applies to measures in the domains of tax policy, credit-monetary policy, foreign exchange policy, the distribution of corporate income, foreign trade policy, etc., which have an effect on relations between supply and demand and determine the movement of prices to the greatest degree.

Article 9

The parties to the agreement are agreed that they shall constantly monitor the supply of the market and undertake appropriate measures within their competencies to improve and to ensure orderly and uniform supply of the market.

In order to prevent major disturbances and shortages of goods in particular segments of the unified Yugoslav market, federal commodity reserves shall be used for intervention. The available reserves in the republics and autonomous provinces shall also be used for timely intervention so as to prevent serious disturbances and shortages of particular goods on the market and to guarantee the necessary foreign exchange to import products which are in short supply on the market within the limits of their payments-balance positions.

The executive councils of the assemblies of the republics and the executive councils of the assemblies of the autonomous provinces shall undertake steps to form commodity reserves within the republics and autonomous provinces of the principal foodstuffs, with which they shall intervene on the market as necessary.

Article 10

The parties to the agreement shall take steps in the first half of 1980 to supplement enactments at the level of all sociopolitical communities concerning the system of commodity reserves so that by the end of the first half of the year programs have been adopted for formation and use of commodity reserves, especially for the major centers of consumption, in order to prevent and counteract disturbances on the market for the most important foodstuffs and industrial products.

The parties to the agreement shall take steps to encourage the pooling of labor and capital in the domain of production and distribution in order to improve the supply of major centers of consumption and cities.

Article 11

The parties to the agreement are agreed that in the conduct of measures to guarantee stable supply of the public they shall engage in mutual collaboration and coordination, especially with respect to the following: constant monitoring of the supply of the market with respect to those products which are important to the everyday consumption of the public; timely proposal of measures to prevent interferences in supply and the taking of decisions related to any major importation as an act of intervention and intervention with the buying and selling of commodity reserves.

Article 12

The parties to the agreement shall take steps and adopt enactments so as to ensure the lawfully established independence of organizations of associated labor in setting prices and the broader practice of concluding social compacts and self-management accords in conformity with price policy.

Article 13

The existing social compacts and self-management accords regulating pricing procedure on a long-time basis shall remain in effect provided they are brought into conformity with the law.

Through their overall economic policy measures the parties to the agreement shall facilitate the enforcement of the existing social compacts and self-management accords regulating prices on a long-term basis, in conformity with price policy.

Should the parties to the agreement judge that the agreed price policy is jeopardized by enforcement of overall economic policy measures, the effect of the world market, effect of overall price changes and enforcement of existing social compacts and self-management accords, they shall propose or take measures to counteract the disturbances that have occurred.

Price lists containing prices set in accordance with social compacts and self-management accords covered by the provisions of this article shall be submitted to the competent price authority pursuant to enactments in effect.

Article 14

In carrying out the basic tasks set forth in the Resolution and in order to achieve conditions for exercise of the rights and discharge of the responsibilities and obligations of associated labor in the process of decision-making concerning prices and in the conduct of price policy, the parties to the agreement shall take steps to encourage the conclusion of social compacts and self-management accords on a more lasting basis, thereby to facilitate replacement of existing price regimes with social compacts and self-management accords on prices.

Should conditions allow, a maximum effort should be made for social compacts and self-management accords to envisage a pricing procedure which above all safeguards the new price system and a lasting mutual relation between producer's prices and prices to the consumer.

The parties to the agreement are agreed that the competent bodies of socio-political communities, at the request of self-managed organizations and communities, shall participate in preparing and in furnishing the necessary analytical basis for preparing social compacts and self-management accords, and shall also participate in their conclusion in the cases envisaged by enactments.

Price lists containing prices set in accordance with social compacts and self-management accords as referred to in this article shall be submitted to the competent price authority in accordance with the enactments in effect.

Article 15

The parties to the agreement commit themselves to undertake measures and adopt enactments to ensure that organizations of associated labor which have pooled their labor and capital in order to realize joint revenues from the price of a final product may independently set the prices of their products in a self-management accord, provided the prices of the final product are set in accordance with the established price policy or the price level prescribed by regulations.

Price lists containing the prices set pursuant to the provision of Paragraph 1 of this article shall be submitted to the competent price authority pursuant to enactments in effect. If the price authority judges that the prices in the price list do not conform to the established price policy or to the price level prescribed by current enactments, it shall take the measures prescribed by law to institute price controls on the products in question.

Article 16

The parties to the agreement, depending on the conditions on the domestic market and in international trade and particularly mindful of the payments-balance situation, the openness of the market, the relation between supply and demand, and so on, shall continue to conduct a policy of allowing prices to be set according to the conditions of the market, along with compulsory price reporting in accordance with current enactments to the competent price authority.

The parties to the agreement shall by the end of March 1980 compile a list of products and services on which prices shall be set according to the conditions of the market.

Should prices set according to the conditions of the market threaten to jeopardize or actually jeopardize the goals of the established price policy, the parties to the agreement shall propose and shall adopt regulations to regulate the prices of certain products and services within their competency.

Article 17

The parties to the agreement shall through their measures and enactments make it possible for the working people and citizens organized in the local community and in organizations of associated labor, in the pursuit of their common interests and needs, when they have an interest in participating in meeting their common needs in the sectors of municipal services, housing and certain utilities of pronounced importance to the living and working conditions of citizens, shall decide on the level of the prices of those services by vote.

Article 18

The parties to the agreement shall in their enactments ensure that the total rise of prices of services rendered by self-managed special-interest communities, which are set by direct agreement between users and suppliers of services, ranges within the limits of the price policy set forth in the Resolution.

Price lists containing prices set in accordance with Paragraph 1 of this article shall be submitted to the competent price authority in accordance with enactments in effect.

Article 19

Conclusion of accords to change current prices within the framework of general associations of economic chambers and with the consent of price authorities, called for under present legislation, shall be retained during 1980 as the transitional system before commencement of enforcement of the Law on the Bases of the Price System and Public Price Control.

The filing of price lists with the competent price authorities for record-keeping purposes or for consent shall be retained as the transitional regime until adoption of enactments by the competent communities for price affairs on which products and services self-managed organizations and communities must submit reports on prices for monitoring purposes and until adoption of the relevant enactments of the competent sociopolitical communities on which products and services price lists are to be filed with the appropriate community for price affairs for certification.

Article 20

In order to implement the positions taken in the Resolution on slowing down the rise of prices and on conducting the policy of stabilization, the parties to the agreement shall take steps to ensure that all participants in decisionmaking on the changing of prices of products and services shall in applying the prescribed criteria adopt from the outset the principle that larger income should be above all the result of a strengthening of the qualitative factors in economic activity, such as the following: higher labor productivity, higher efficiency and improved business efficiency, improved proportions in the sharing of income, better organization of work, larger output through better utilization of capacity, and the impact of world prices on the price level and price relations of products and services on the domestic market.

On the basis of an analysis of price parities which shall be made by 1 January 1980 the parties to the agreement shall set forth the criteria, procedure and schedule for correcting the price disparities ascertained.

Article 21

The parties to the agreement, mindful of the importance and impact of energy on conditions of economic activity and overall economic development, are agreed that in the conduct of price policy in 1980 they shall furnish long-term solutions for establishment of parity relations in the prices of energy fuels and power.

In order to carry out the solutions referred to in Paragraph 1 of this article, the competent bodies and organizations shall act cooperatively to balance the level of energy prices so as to stimulate the development of domestic sources of energy fuels and the substitution of imported raw materials by domestic raw materials.

The competent bodies of the Federation and the competent bodies of the republics and autonomous provinces, within the limits of their authority, shall propose the steps whereby the rates of the basic turnover tax and other fees contained in the prices of petroleum derivatives shall be so adjusted as to prevent the total collection of the basic turnover tax and other fees from exceeding the planned volume.

Article 22

The parties to the agreement are agreed that by the end of the first quarter of 1980 they shall conclude an agreement furnishing a more lasting solution on pricing elements and procedure and the conduct of price policy in the energy field.

Article 23

The parties to the agreement are agreed that the prices of principal farm products of the 1980 harvest shall be set in accordance with the criteria and scale set forth in the Agreement on the Bases of the Yugoslav Social Plan for Development of the Agroindustrial Complex From 1976 to 1980, in conformity with law and the established price policy.

The parties to the agreement are agreed that in accordance with Article 31 of the Law on the Bases of the Price System and Public Price Control they shall set forth, no later than the transitional period established by that law, in a separate agreement for 1980 those farm products which are of particular public interest and the forms for setting prices--producer's prices, sales prices or support prices.

The competent sociopolitical communities, in order to slow down the movement of the level of retail prices of raw and processed foods whose very dynamic rise has an essential impact on the cost of living, shall continue to apply the existing forms of compensation and see that new forms are introduced, within the limits of material possibilities.

Through further encouragement of activities toward the pooling of labor and capital by private farmers with the public sector in order to increase production and improve the supply of major centers of consumption through conclusion of production contracts, through organized efforts in purchases and distribution, through interventions with imports and especially with reserves of the principal farm products, etc., shall endeavor to ensure conditions so that the rise of prices of other farm products on which producer's sales prices are not prescribed and also the rise of prices of farm products on the so-called "green market," shall not exceed the limits on higher prices envisaged in the price policy set forth in the Resolution.

Article 24

The parties to the agreement shall take steps so that the prices of new assortments, new quality, and so on (new products) will be in parity with the existing prices of similar or related products and so that the price level of new products does not violate the established price policy.

Article 25

The parties to the agreement shall collaborate with one another and inform one another about measures taken in order to harmonize and coordinate their efforts in safeguarding and implementing the agreed price policy.

Bodies competent to take steps in the domain of the market and price controls shall regularly monitor and analyze the conduct of price policy as set forth in the Resolution and the implementation of measures and activities envisaged by this agreement, and they shall report on this to the competent bodies of sociopolitical communities.

In order to monitor the conduct of price policy the competent bodies of the Federation, the republics and the autonomous provinces shall jointly draft a supplemental methodology governing detailed monitoring of price movements, above all concerning the mutual impact of prices by jurisdictions, no later than the end of the first quarter of 1980.

Article 26

The parties to the agreement shall prepare a package program for adoption of the enactments envisaged by the Law on the Bases of the Price System and Public Price Control in order to facilitate application of that law within the prescribed period.

Article 27

This agreement shall be published in SLUZBENI LIST SFRJ.

On behalf of the Federal Executive Council, Dusan Ilijevic (signed), member of the Council

On behalf of the Executive Council of the Assembly of the Socialist Republic of Bosnia-Hercegovina, Semsudin Lejlic (signed), member of the Council

On behalf of the Executive Council of the Assembly of the Socialist Republic of Montenegro, Slavimir Stijepovic (signed), director of the Republic Price Bureau

On behalf of the Executive Council of the Assembly of the Socialist Republic of Croatia, Hrvoje Skoko (signed), member of the Council

On behalf of the Executive Council of the Assembly of the Socialist Republic of Macedonia, Durguta Edipovski (signed), member of the Council

On behalf of the Executive Council of the Assembly of the Socialist Republic of Slovenia, Stefan Korosec (signed), member of the Council

On behalf of the Executive Council of the Assembly of the Socialist Republic of Serbia, Milivoje Stojkovic (signed), member of the Council

On behalf of the Executive Council of the Assembly of the Socialist Autonomous Province of Kosovo, Vehbi Hajrudini (signed), member of the Council

On behalf of the Executive Council of the Assembly of the Socialist Autonomous Province of Vojvodina, Sinisa Korica (signed), member of the Council

7045

CSO: 2800

GOALS OF MONETARY, CREDIT POLICIES IN 1980

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 9, 22 Feb 80 pp 265-266

[Order issued by the Federal Executive Council on 31 January 1980 and signed by Chairman Veselin Djuranovic: "Order on Accomplishment of the Goals and Performance of the Tasks of Joint Note-Issue and Monetary Policy and the Joint Bases of Credit Policy in 1980"]

[Text] 1. In order to accomplish the goals and perform the tasks set forth in the Order on the Goals and Tasks of Joint Note-Issue and Monetary Policy and the Joint Bases of Credit Policy in 1980 this order sets forth the more precise framework and tasks of joint note-issue and monetary policy and the joint bases of credit policy in 1980, which pertain to regulating the amount of money in circulation and the volume of bank credit and to the principal directions for carrying out joint selective credit policy.

2. The issue of primary money in 1980 (hereafter referred to as "primary note issue") is hereby fixed in the total amount of 34.2 billion dinars, 9.9 billion dinars of which is to discharge obligations set forth in law and 24.3 billion dinars are to monetize securities and participate in the credit financing of selective priority purposes.

Primary note issue to discharge legal obligations referred to in Paragraph 1 of this point, in the amount of 9.9 billion dinars, shall be used to discharge the following obligations:

	<u>Dinars</u>
1) To cover the deficit of the federal budget on the basis of the Law on Determination of the Total Volume of Expenditures of the Federal Budget for 1980 (SLUZBENI LIST SFRJ, No 67, 1979)	9,200,000,000
2) For credit financing of the economy in the Socialist Autonomous Province of Kosovo, in accordance with a specific federal law	400,000,000
3) To repair the damage of natural disasters--the unused amount of credit approved, in accordance with a specific federal law	200,000,000

Dinars

- 4) On the basis of contracts concluded concerning credit granted from the resources of the dinar equivalent of foreign loans--unused amount of credit approved 100,000,000

The Yugoslav National Bank shall take care that the primary note issue to meet legal obligations referred to in Paragraph 2 of this point is used as uniformly as possible and in line with the rate of growth of total primary note issue.

Primary note issue may not be used to finance investment projects and other long-range purposes, nor to finance final consumption, except for the purposes referred to in Paragraph 2 of this point.

3. Primary note issue earmarked for monetization of securities and for participation in the credit financing of selective priority purposes shall be used within the limits of the amount stated in Point 2, Paragraph 1, of this order, as follows:

- 1) to purchase short-term negotiable securities issued by business organizations of associated labor on the basis of their own commodity-money and credit transactions;
- 2) to grant short-term credit on the basis of the securities referred to in Subparagraph 1 of this paragraph;
- 3) to extend short-term credit on the basis of foreign securities held by organizations of associated labor;
- 4) to participate in selective credit financing of priority purposes as set forth in the Yugoslav Social Plan Covering the Period From 1976 to 1980 and agreements on the bases of that plan, and also to participate in the credit financing of inventories of coal at thermal electric plants and other large consumers in the economy and in the distribution sector in major centers of consumption.

The Yugoslav National Bank shall prescribe the amount and terms and conditions for the purchase of securities and for extension of the credit referred to in Paragraph 1 of this point, taking care that the total volume of primary note issue on these bases remains consistent with the need to regulate the volume of the money supply in the context of Point 1 of this order, with the proviso that as a rule the present terms and conditions for the use of primary note issue shall not be expanded so as to augment in that manner the share of the credit potential of the banks in financing those purposes.

4. On the basis of documents arising out of commodity-money transactions of organizations of associated labor the Yugoslav National Bank shall in 1980 provide a portion of primary note issue as its share in short-term credit financing of the following selective purposes:

- 1) the export of goods and services which ensure an inflow of foreign exchange, including the production and preparation of goods for export and the preparation of organizations of associated labor in the tourist and hostelry industry for rendering services to foreign tourists;
- 2) the socially organized production and inventories of farm products and processed food products, in accordance with Articles 55 and 56 of the Agreement on the Bases of the Yugoslav Social Plan for Development of the Agroindustrial Complex From 1976 to 1980 (SLUZBENI LIST SFRJ, No 34, 1977);
- 3) the import of basic raw materials and other products from the developing countries and from other countries of particular currency areas, in accordance with the list of products and countries adopted by the Federal Secretariat for Foreign Trade and in conformity with the policy governing and opportunities afforded by Yugoslavia's balance of payments and the other tasks of joint foreign exchange policy in 1980;
- 4) the export of equipment and ships on credit and the performance of work on capital investment projects abroad on credit;
- 5) the sale or purchase of domestic equipment and ships on credit within the Socialist Federal Republic of Yugoslavia;
- 6) inventories of metal and other agreed commodities intended for export, for which the Federal Executive Council, in agreement with the competent republic and provincial bodies, ascertains that a temporary decline has occurred on the world market;
- 7) market reserves of domestically produced commodities of the Federation, the republics and autonomous provinces as established in the program of the competent bodies, in accordance with Article 56 of the Agreement on the Bases of the Yugoslav Social Plan for the Development of the Agroindustrial Complex From 1976 to 1980;
- 8) inventories of coal at thermal electric power plants and other large consumers in the economy and in the distribution sector in major centers of consumption.

The credits for inventories of metal and other agreed commodities intended for export as referred to under Subparagraph 6 of Paragraph 1 of this point shall be used until 30 April 1980 under the terms and conditions which apply to those credits in 1979.

Credits for inventories of metals and other agreed commodities intended for export covered by Subparagraph 6 of Paragraph 1 of this point shall also be used after 30 April 1980 if the Federal Executive Council defines the criteria for occurrence of a temporary decline on the world market before 30 April 1980.

5. The Yugoslav National Bank, through the Association of Yugoslav Banks, shall initiate proceedings and prepare the necessary documentation for conclusion of a self-management accord of the banks on conduct of selective credit policy.

6. In their own documents on business policy the banks shall ensure that the principal flows in augmentation of the money supply are the following:

- 1) the purchase of negotiable short-term securities issued by organizations of associated labor on the basis of their commodity-money transactions;
- 2) the granting of short-term credits to organizations of associated labor on the basis of securities as referred to in Subparagraph 1 of this paragraph and on the basis of foreign securities held by those organizations;
- 3) the granting of short-term credits to organizations of associated labor on the basis of certain documents pertaining to their commodity-money transactions;
- 4) the purchase of foreign means of payment from organizations of associated labor and other participants in money relations, in accordance with joint exchange policy for 1980.

In the purchase of securities and the extension of credit on the basis of those securities the banks shall give preference to securities which have previously been used as means of payment in commodity-money transactions of organizations of associated labor.

The Yugoslav National Bank, in collaboration with the Association of Yugoslav Banks, shall supply the initiative and insist that in their business policy the banks ensure that the main flows in augmentation of the money supply in 1980 will be oriented in the directions foreseen in Paragraph 1 of this point.

7. The Yugoslav National Bank may in 1980 prescribe legal reserve ratios within the following maximum levels:

21 percent	On sight deposits
2 percent	On deposits and other funds for housing construction
2 percent	On time deposits with a notice period longer than 1 year

The legal reserve shall not be computed on the funds of individuals nor on other funds of the banks on which that reserve was not computed in 1979.

The legal reserve shall be used in 1980 to regulate the amount of money in circulation. As an exception temporary and brief changes in the legal reserve ratio shall be used to overcome occasional short-term fluctuations in bank liquidity.

8. Funds of the republics, autonomous provinces and opštinas deposited in the national banks of republics and the national banks of autonomous provinces may in 1980 be loaned out in accordance with the credit policy measures of the republics and autonomous provinces, provided that these lendings hold within the limits of available funds.

9. Differentiation of the rates of interest at which the Yugoslav National Bank lends money shall ensure more favorable interest rates for the purchase of securities and extension of credit referred to in Point 4 of this order and higher interest rates for extension of credit to banks to maintain their liquidity.

The respective rates of interest paid by the Yugoslav National Bank shall be set in accordance with the differentiation of the rates of interest charged in the context of Paragraph 1 of this point.

10. This order shall take effect on the eighth day after publication in SLUZBENI LIST SFRJ.

7045
CSO: 2800

YUGOSLAVIA

MEASURES FOR IMPLEMENTING MONETARY-CREDIT POLICY, 1980

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 9, 22 Feb 80 pp 277-285

[Order issued by the Board of Governors of the Yugoslav National Bank on 1 February 1980 and signed by Dr Ksente Bogoev, governor and chairman of the Board of Governors of the Yugoslav National Bank]

[Text] I. General Provisions

1. In this order the Yugoslav National Bank, in order to regulate the amount of money in circulation, sets forth the terms and conditions for the use of primary note issue for the purposes defined in the Order on Accomplishment of the Goals and Performance of the Tasks of Joint Note-Issue and Monetary Policy and Joint Bases of Credit Policy in 1980, as follows:

1) for the purchase, through banks, of negotiable short-term securities and to extend short-term credit to banks on the basis of those securities and on the basis of foreign securities held by organizations of associated labor;

2) to extend short-term credit to banks on the basis of securities issued by organizations of associated labor on the basis of commodity-money transactions within the framework of the particular selective purposes and on the basis of other specified documents arising out of those transactions.

Within the framework of the credit referred to in Subparagraph 2 of Paragraph 1 of this point, credit shall also be extended to the Yugoslav Bank for International Economic Cooperation (hereafter referred to as the "Yugoslav Bank").

2. The volume of primary note issue for the purposes stated in Point 1 of this order shall be fixed by the Yugoslav National Bank in quarterly projections within the limits in which liquidity of payments is made possible in the Socialist Federal Republic of Yugoslavia, in accordance with the needs arising out of commodity-money and credit transactions of organizations of associated labor and other participants in money relations and with the movement and guidance of economic flows in the country and economic relations with foreign countries.

3. The securities referred to in Point 1, Paragraph 1, of this order shall be purchased and the credits in that paragraph issued to banks by the national bank of the republic or national bank of the autonomous province (hereafter referred to as the "national bank") whose jurisdiction includes the headquarters of organizations of associated labor from which the banks purchased those securities or to which the banks have extended the corresponding credits.

Credits shall be extended to the Yugoslav bank for the purposes stated in Point 1, Paragraph 2, of this order by the national bank whose jurisdiction includes the headquarters of organizations of associated labor to which the Yugoslav Bank is extending the corresponding credits through banks for those purposes;

4. The national bank shall purchase securities from and extend credits on the basis of this order to the following banks:

1) banks which meet the prescribed conditions of creditworthiness;

2) banks which furnish the funds obtained from primary note issue to organizations of associated labor which meet the prescribed conditions for maintaining their liquidity;

3) banks which in their own business policy adhere to social compacts and self-management accords on the policy governing the formation and lending of bank resources and social compacts and self-management accords on the policy governing interest rates which the banks may negotiate in their business operations;

4) banks which afford favorable terms and conditions for the sale of securities;

5) banks which guarantee the unhindered discharge of obligations of their depositors.

The provisions of Paragraph 1 of this point shall also be appropriately applied to the Yugoslav Bank.

5. For the purpose of this order "banks" means basic banks and associated banks established on the basis of the Law on the Bases of the Credit and Banking System (SLUZBENI LIST SFRJ, No 2, 1977).

II. The Purchase of Securities and the Granting of Credits to Banks on the Basis of Those Securities

6. Primary note issue shall be channeled into the purposes stated in Point 1, Paragraph 1, Subparagraph 1, of this order during 1980 in the following ways:

- 1) by the purchase, through banks, of bills of exchange issued with maturity less than 90 days and endorsed by the bank, which have been issued by business organizations of associated labor under the provisions of the Law on Assurance of Payments Between Users of Public Assets (SLUZBENI LIST SFRJ, Nos 60, 1971; 13, 1976; and 22, 1978);
- 2) by the extension of credit to banks on the basis of the bills of exchange referred to in Subparagraph 1 of this point;
- 3) by the extension of credit to banks on the basis of foreign securities held by organizations of associated labor.

7. Through banks the national bank shall purchase from business organizations of associated labor the bills of exchange referred to in Point 6, Paragraph 1, Subparagraph 1, of this order on which no more than 30 days remains before the date of maturity and whose face value is at least 200,000 dinars provided that these organizations, figuring as creditors in commodity-money transactions, have obtained them from other business organizations of associated labor.

The national bank shall purchase bills of exchange referred to in Paragraph 1 of this point if the following terms and conditions have been met:

- 1) if the bills of exchange contain the essential elements envisaged by the Law on the Bill of Exchange (SLUZBENI LIST FNRJ [OFFICIAL GAZETTE OF THE FEDERAL PEOPLE'S REPUBLIC OF YUGOSLAVIA], No 104, 1946, and SLUZBENI LIST SFRJ, Nos 16, 1965, and 54, 1970) and the Law on Assurance of Payments Between Users of Public Assets, and if the terms and conditions have been met for issuing and endorsing those bills of exchange in accordance with that law;
- 2) if the bank from which the national bank is purchasing them has previously discounted those bills of exchange and if they have been in the portfolio of that bank for at least 30 days reckoned from the date of discounting, and if they have been endorsed to the national bank.

The national bank shall not purchase bills of exchange if less than 10 days remains before their date of maturity reckoned from the date of receipt of the bill of exchange in the national bank.

8. The national bank shall include the bills of exchange purchased under Point 7 of this order in its own portfolio and shall compute the discount.

The national bank shall transfer the face value of the bill of exchange it has purchased, minus the discount--interest--(discounted amount) to the giro account of the bank or shall use it for payments due on credits issued to the bank from primary note issue.

9. Pursuant to Article 18 of the Law on Assurance of Payments Between Owners of Public Assets, the national bank shall on the date of maturity present the bill of exchange for collection to the Social Accounting Service where the bill of exchange is domiciled.

If the Social Accounting Service presents the bill of exchange to the competent court for protest because it could not be collected on time, the national bank, after receiving the report from the Social Accounting Service that the bill has gone to protest, shall take steps for collection in accordance with the Law on the Bill of Exchange.

If the bill of exchange is collected under Paragraph 2 of this point, the national bank shall in addition to the face value of the bill of exchange also collect interest and costs as provided for in Articles 47 and 48 of the Law on the Bill of Exchange.

10. The national bank shall extend short-term credit to banks on the basis of bills of exchange which it may purchase through banks in the context of Point 7 of this order regardless of the individual face value of those bills of exchange covering the time they are held in the bank's portfolio and the remainder of the time until their maturity, but not to exceed 40 percent of the face value of the total portfolio of those bills of exchange which the bank has previously discounted.

11. The national bank shall extend short-term credit to banks on the basis of foreign securities on the basis of bills of exchange and other foreign securities which may be bought and sold on foreign security markets and which are held by organizations of associated labor on the basis of completed exports of goods and services and which have been the basis for the bank's issuing credits to those organizations.

The national bank shall extend the credits referred to in Paragraph 1 of this point in an amount not to exceed 50 percent of the amount of the dinar equivalent of the face value of the foreign securities coming due within 3 months reckoned from the date when the credit was extended to the due date of those securities, but not in a greater amount than the credit which the bank extended to organizations of associated labor on the basis of those securities.

Securities which an organization of associated labor have obtained on the basis of a transaction in which documentary credit from primary note issue has been used may not serve as collateral for the granting of credits referred to in Paragraphs 1 and 2 of this point and the credit referred to in Point 10 of this order.

12. The national bank shall purchase bills of exchange from banks and issue credits to banks under the provisions of Points 7 through 11 of this order in an amount not to exceed the amount of the rediscount limits set for each bank at the level of 50 percent of the amount of the portfolio of

those bills of exchange on the basis of the last monthly bookkeeping statement of the bank plus the amount of bills of exchange which the bank has rediscounted with the national bank whose date of collection has not occurred.

The Yugoslav National Bank shall adjust the percentage used to set the re-discount limit referred to in Paragraph 1 of this point to the quarterly projections referred to in Point 2 of this order.

III. Extension of Short-Term Credit to Banks on the Basis of Commodity-Money Transactions Within the Framework of Certain Selective Purposes

13. In 1980 the Yugoslav National Bank shall in extending credit to banks on the basis of securities and on the basis of other documents arising out of the commodity-money transactions of organizations of associated labor ensure that a portion of primary note issue is used as participation in short-term credit financing of selective purposes, as follows:

1) the export of goods and services which ensure the inflow of foreign exchange, including credit financing of the following:

i. production and preparation of goods for export and preparation of organizations of associated labor in the tourist and hostelry industries for rendering services to foreign tourists;

ii. the export of equipment and ships on credit and the performance of work on capital investment projects abroad on credit;

iii. inventories of metals and other agreed commodities intended for export for which the Federal Executive Council, on the basis of Point 4, Sub-paragraph 6, of the Order on Accomplishment of the Goals and Performance of the Tasks of Joint Note-Issue and Monetary Policy and Joint Bases of Credit Policy in 1980 (hereafter referred to as the "Order") ascertains that a temporary decline has occurred on the world market;

2) socially organized production and inventories of certain farm products and processed foods in accordance with the Agreement on the Bases of the Yugoslav Social Plan for the Development of the Agroindustrial Complex From 1976 to 1980 (SLUZBENI LIST SFRJ, No 34, 1977) (hereafter referred to as the "Agreement");

3) imports of certain goods from the developing countries and other countries in certain currency areas in accordance with the policy governing and opportunities afforded by Yugoslavia's balance of payments;

4) the sale or purchase of domestic equipment and ships on credit within the Socialist Federal Republic of Yugoslavia;

- 5) market commodity reserves of republics and autonomous provinces and federal market commodity reserves of domestically produced farm products and processed foods covered by Article 56 of the Agreement as set forth in the programs of the competent agencies;
- 6) inventories of coal at thermal electric power plants and other major consumers in the economy and in the distribution sector in major centers of consumption.

The banks shall exercise supervision and ensure that the credits extended from primary note issue for particular purposes referred to in Paragraph 1 of this point are used for the purposes for which they were extended.

Credits for Credit Financing of Transactions Involving the Export of Goods and Services

14. Banks may use the credits for credit financing of transactions involving the export of goods and services (Point 13, Subparagraph 1) as follows:

- 1) for the credit financing of exports of goods and services for cash;
- 2) for the credit financing of exports of goods on commercial credit;
- 3) for the credit financing of exports of goods and services on credit to the developing countries;
- 4) for the credit financing of accounts receivable based on the export of equipment and ships on credit and the performance of work on capital investment projects abroad on credit;
- 5) for the credit financing of the production and preparation of goods for export and for the credit financing of organizations of associated labor in the tourist and hostelry industries to prepare them for rendering services to foreign tourists;
- 6) for the credit financing of the production and preparation of goods for export involved in transactions contracted for which are being financed by an international financial organization and for which collection is being made in cash;
- 7) for the credit financing of accounts receivable from the International Bank for Reconstruction and Development on the basis of work completed and paid for and equipment installed under investment programs in the Socialist Federal Republic of Yugoslavia which are being financed partly with funds of the International Bank for Reconstruction and Development;
- 8) for the credit financing of inventories of metals and other agreed commodities intended for export for which the Federal Executive Council, on the basis of Point 4, Subparagraph 6, of the Order, has ascertained that a temporary decline has occurred on the world market.

15. The banks may use the credits for credit financing of exports of goods and services for cash (Point 14, Subparagraph 1) up to the amount of 65 percent of the amount of credit which they have issued for that purpose to organizations of associated labor on the basis of documents on completed exports of goods certified by a customs house (export customs declaration) and documents on services rendered to foreign clients (contract or sales agreement, bill or other export documents), as follows:

- 1) if collection is being made for the export in currencies important to maintaining liquidity in international payments--provided that the period for repayment of the credits issued for that purpose does not exceed 90 days;
- 2) if collection for the export is being made in other currencies--provided that the period for repayment of the credits issued for that purpose does not exceed 45 days.

Credits which banks issue on the basis of contracts on production of equipment and ships for export and contracts on rendering of services abroad are equated in this order with the credits for the export of goods and services covered by this point, as follows:

- 1) up to the amount of the value of each phase completed if the contract calls for payment by phases;
- 2) up to the amount of advances contracted for if the contract calls for the payment of advances in currencies which are important to maintaining liquidity in international payments, provided that the advance comes due within 90 days from the date credit was extended by the foreign bank and that its collection has been secured.

Exports made in the framework of long-term industrial cooperation between a domestic organization of associated labor and a foreign partner, when the transaction goes through a current account, may be financed with credit only up to the amount of the net accounts receivable of the domestic organization of associated labor in that account.

For the purpose of this order "services" means transactions covered by Article 54 of the Law on Foreign Commerce (SLUZBENI LIST SFRJ, Nos 15, 1977, and 17, 1978).

The period for repayment of the credits referred to in this point shall commence to run from the date when the goods cleared customs or when the services were rendered pursuant to the Directive on Determination of the Date of Rendering of Services in Foreign Trade (SLUZBENI LIST SFRJ, No 2, 1978).

In their business policy, when they fix dates for repayment of credit for exports of goods and services, the bank shall be mindful of the actual dates

for collection on exports of goods and services and in the credit contract shall oblige the users to repay the credit before the agreed date if collection is made before that date.

The bank may extend the 90-day period for repayment of the credit referred to in Paragraph 1, Subparagraph 1, of this point as follows:

- 1) up to a total of 120 days if export transactions are involved covered by a contract on industrial cooperation between organizations of associated labor and foreign partners;
- 2) up to a total of 150 days if exports to countries outside Europe are involved and if the user of the credit submits to the bank a decision of the national bank extending the period for bringing the foreign exchange into the country;
- 3) up to a total of 180 days if exports to Turkey are involved, and as an exception up to a total of 1 year if the user of the credit submits to the bank the decision of the national bank extending the period for bringing the foreign exchange into the country.

The bank may extend the repayment period on 45-day credit referred to in Paragraph 1, Subparagraph 2, of this point up to a total of 90 days if the export transaction involves products of nonferrous metallurgy covered by intergovernmental arrangement, on the basis of separate contracts for each export transaction.

As an exception to the provision of Paragraph 7, Subparagraph 2, of this point, the period for repayment of the credit may be extended even beyond a total of 150 days, but not to exceed 2 years, if the credit is extended to cover exports of equipment produced in Yugoslavia which domestic organizations of associated labor are exporting and installing in capital investment projects in countries outside Europe, under the following conditions:

- 1) that the domestic organization of associated labor is doing the work on capital investment projects in that country;
- 2) that the price of the exported equipment stated in the contract is taken as the basis for fixing the amount of credit and that that price figures in the total value of work contracted for abroad, minus the amount of advances and possible other money payments or payments in kind which have come due before the equipment was exported;
- 3) that the credit contract calls for repayment of credit on a fixed schedule, adjusted to the contracted schedule for collection of the work performed abroad, the individual payments to be in proportion to the share of the price of the equipment exported in the total value of work performed, and that the final date for repayment of the credit does not fall more than 2 years after the date when the equipment exported cleared customs;

4) that the bank commit itself to repay the used amount of the credit to the national bank in accordance with the collection schedule agreed on with the user of the credit.

16. Banks may use credits for the credit financing of exports of commodities covered by commercial credit (Point 14, Subparagraph 2) up to the amount of 60 percent of the amount of credit they have issued for that purpose to organizations of associated labor on the basis of documents on completed exports of goods certified by the customs house, contracts with foreign customers and other documents making it evident that these are exports covered by commercial credit and corresponding securities if such are envisaged by the contract with the foreign customer, provided the use of the credit from primary note issue does not last longer than 24 months for the export of series-manufactured equipment, 18 months for the export of durable consumer goods, and 6 months for the export of other goods.

Banks may also use the credits referred to in Paragraph 1 of this point for short-term credit financing of exports covered by credit arrangements concluded with banks from the countries to which the goods are being exported.

17. Banks may use credits for the credit financing of exports of goods and services on credit to the developing countries (Point 14, Subparagraph 3) up to the amount of 80 percent of the amount of credit which they have extended for that purpose to organizations of associated labor on the basis of documents concerning completed export of goods certified by the customs house, contracts with the foreign customer and other documents making it evident that the export transaction is covered by commercial credit and corresponding securities if such has been envisaged by the contract with the foreign customer, provided that use of the credit from primary note issue does not last longer than 24 months for the export of series-manufactured equipment, 18 months for the export of durable consumer goods and 6 months for the export of other goods and the export of services.

Banks may also use the credits referred to in Paragraph 1 of this point for the credit financing of exports of goods and services to the developing countries which are covered by short-term credit arrangements concluded with banks from those countries.

18. Banks may use credits for the credit financing of accounts receivable on the basis of exports of equipment and ships on credit and the performance of work on capital investment projects abroad on credit (Point 14, Subparagraph 4) up to the amount of 70 percent of the amount of those accounts receivable for which they have extended credit to domestic exporters from their own credit potential and which come due within a period of 2 years reckoned from the date when the credit was extended to the bank by the national bank.

Banks may use the credits referred to in Paragraph 1 of this point on the basis of contracts concerning credit extended to organizations of associated

labor which are exporters and on the basis of foreign securities held by those organizations or on the basis of other documents proving the existence of the accounts receivable.

In 1980 the national bank shall extend credits to the Yugoslav Bank for the credit financing of exports of equipment and ships on credit and the performance of work on capital investment projects abroad on credit up to the amount of 95 percent of the amount of accounts receivable covered by credits which the Yugoslav Bank has extended to banks for those purposes which come due within 36 months from the date when credit was extended to the Yugoslav Bank by the national bank.

In order to use the credit referred to in Paragraph 3 of this point the Yugoslav Bank shall submit to the national bank the specific lists of contracts by banks, along with a survey of payments coming due within the period of 36 months and the debt reduction schedule showing the total amount of credit extended, the date when each payment comes due, and the final date for repayment of the credit.

In accordance with Point 7, Paragraph 3, of the Order on Goals and Tasks of Joint Note Issue and Monetary Policy and the Joint Bases of Credit Policy in 1980 (SLUZBENI LIST SFRJ, No 67, 1979) the Yugoslav National Bank shall not collect from the Yugoslav Bank payments come due on long-term credit transferred to the Yugoslav Bank on the basis of the Order on the Conditions, Manner and Procedure of Transfer of Assets, Rights and Obligations Under Credits Extended to the Fund for Credit Financing and Insurance of Export Transactions to the Yugoslav Bank for International Economic Cooperation (SLUZBENI LIST SFRJ, No 52, 1979), but shall collect interest on that credit from the Yugoslav Bank at the rate of 1 percent per annum.

19. Banks may use credits for the credit financing of the production and preparation of goods for export and for the credit financing of organizations of associated labor in the tourist and hostelry industries to prepare them for rendering services to foreign tourists (Point 14, Subparagraph 5) up to the amount of 30 percent of the amount of credit which they have extended for those purposes to organizations of associated labor with a repayment period less than 3 months, but the total volume of such credit from primary note issue within one republic or autonomous province may not be greater than 15 percent of the total amount of credit from primary note issue extended in that republic or province for the credit financing of the purposes enumerated under Points 15 through 18 and 20 through 22 of this order.

The total volume of credit referred to in Paragraph 1 of this point within a single republic or autonomous province may exceed 15 percent of the amount of the credits referred to in that paragraph by the amount by which that volume has been reduced within other republics and autonomous provinces, in agreement with the national banks of those republics or autonomous provinces.

The banks may use the credits for the purposes stated in Paragraph 1 of this point only on the basis of credits extended to organizations of associated labor in the production sector or to organizations of associated labor in the sectors of tourism and hostelry, and this must be based on a contract with foreign customers, notices concerning contracts concluded in foreign commerce that have been certified by the national bank, or other documents proving that the production or preparation of goods for export and preparation of services for foreign tourists being financed with credit will result in the export of goods or the rendering of services to foreign tourists.

The period for repayment of credit referred to in this point may be fixed up to a maximum of 6 months if the technological process of production or preparation takes longer than 3 months.

20. Banks may use the credits for credit financing of the production and preparation of goods for export covered by transactions contracted for which are financed by an international organization and for which collection is being made in cash (Point 14, Subparagraph 6) up to the amount of 50 percent of the amount of credit which they have issued for those purposes to organizations of associated labor on the basis of contracts with foreign customers and evidence that the transaction contracted for is being financed by an international financial organization, provided the period for repayment of the credits granted is not longer than 2 years and that collection for the exports is being made in currencies which are important to maintaining liquidity in international payments.

21. Banks may use credits for the credit financing of accounts receivable from the International Bank for Reconstruction and Development on the basis of work done and paid for and equipment installed under investment programs in the Socialist Federal Republic of Yugoslavia which are being partially financed with funds of the International Bank for Reconstruction and Development (Point 14, Subparagraph 7) up to the amount of 50 percent of the amount of credit which they have extended to organizations of associated labor which are the investors, this to be done on the basis of the appropriate documents proving that the work and equipment have been paid for and that the transaction is being financed by the International Bank for Reconstruction and Development, provided that the period for repayment of the credit is not longer than 3 months reckoned from the date when the credit was used by the national bank.

22. Banks may use credits for the credit financing of inventories of metals and other agreed goods intended for export for which the Federal Executive Council, on the basis of Point 4, Subparagraph 6, of the Order, has ascertained that a temporary decline on the world market has occurred (Point 14, Subparagraph 8) up to the amount of 30 percent of the amount of credits which they have extended for those purposes to organizations of associated labor.

Banks may use the credits referred to in Paragraph 1 of this point only until 30 April 1980, this to be done under the terms and conditions which were in effect in 1979.

Banks may also use the credits referred to in this point after 30 April 1980 if before that date the Federal Executive Council defines the criteria for occurrence of a temporary decline on the world market.

23. The Yugoslav National Bank shall designate those currencies which are to be regarded as currencies important to maintaining liquidity in international payments for the purposes envisaged by this order when the extension of credit from primary note issue is conditional upon those currencies being brought into the Socialist Federal Republic of Yugoslavia.

Credits To Finance Socially Organized Production and Inventories of Certain Farm Products and Processed Foods

24. Banks may use credits for the credit financing of socially organized production and inventories of farm products (Point 13, Subparagraph 2) as follows:

- 1) for the credit financing of the production of wheat, polished rice, corn, sugar beets, oilseed and tobacco;
- 2) for the credit financing of the fattening of livestock (cattle, hogs and sheep), poultry and fish and the production of milk;
- 3) for the credit financing of seasonal inventories of domestic wheat, polished rice or rice, corn, oilseed, raw domestic oil, sugar beets, sugar and tobacco;
- 4) for the credit financing of seasonal inventories of table grapes and apples in coolers, inventories of wine in wine cellars in the public sector, inventories of meat in coolers and inventories of processed dairy products in the public production sector.

25. Banks may use credits for the credit financing of socially organized production of corn (commercial and seed), polished rice, sunflowers, soybeans, rapeseed, olives, sugar beets and tobacco (Point 24, Subparagraph 1) up to the amount of 45 percent--and for the production of wheat (commercial and seed) up to the amount of 50 percent of the amount of credit which they have extended for that production to organizations of associated labor on the basis of a self-management accord or contract on production and delivery concluded with organizations of associated labor engaged in the processing or finishing of those products, but not to exceed 25 percent of the value of the production contracted for.

The period for repayment of the credits referred to in Paragraph 1 of this point may not be longer than 12 months reckoned from the date of commencement of their use and may not extend beyond the following dates: 31 July

for rapeseed, 31 October for sunflower seed and soybeans, 31 December for olives, 30 November for polished rice, 15 December for corn, and 31 December 1980 for sugar beets, 31 March 1981 for tobacco, and 15 August 1980 for wheat of the 1979/1980 farming year and 15 August 1981 for wheat from the 1980/1981 farming year.

Banks may use credits from the national bank for the credit financing of the production of seed wheat and seed corn on the basis of a self-management accord or contract on production and delivery concluded between organizations of associated labor engaged in production and organizations of associated labor engaged in the processing or finishing and the distribution of those products, provided the contracts have been registered with the Fund for Stimulation of Exports of Grain and Processed Grain Products.

Banks may extend the credits covered by this point to organizations of associated labor both for their own production of the specified agricultural products and also for the production of associated agricultural producers and for production under cooperative arrangements with private producers in accordance with law.

26. The banks may use credits for the credit financing of the fattening of livestock (cattle, hogs and sheep), the fattening of poultry (broilers, geese, ducks and turkeys), for the fattening of fish and for milk production (Point 24, Subparagraph 2) up to the amount of 25 percent of the amount of credit which they have extended for those purposes to organizations of associated labor, but not to exceed 25 percent of the value of the production contracted for.

The periods for repayment of the credits referred to in Paragraph 1 of this point, reckoned from the date of commencement of their use, may not be longer than 11 months for the fattening of cattle, 6 months for the fattening of hogs and sheep, 3 months for the fattening of poultry, 6 months for the fattening of fish, and 1 month for the production of milk.

Banks may use credits from the national bank for the credit financing of the fattening of livestock, poultry and fish and credits for the production of milk on the basis of self-management accords or production and delivery contracts concluded between organizations of associated labor in the production sector and organizations of associated labor engaged in the processing and distribution of those products, provided the contracts have been registered with the Fund for Advancement of the Production and Sale of Livestock and Livestock Products.

The provision of Point 25, Paragraph 4, of this order shall also apply to the credits covered by this point.

27. Banks may use credits for the credit financing of seasonal inventories of polished rice or rice, corn, oilseed (sunflower seed, soybeans, rapeseed, olives and pumpkin seed) and raw domestic oil, sugar beets, sugar and tobacco (Point 24, Subparagraph 3) up to the amount of 45 percent--and for

the credit financing of seasonal inventories of domestic wheat up to the amount of 55 percent--of the amount of credit which they have extended for those inventories to organizations of associated labor engaged in the processing or finishing and distribution of these products.

The bank may use the credits referred to in Paragraph 1 of this point provided that the credit contract with organizations of associated labor calls for return of the credits in monthly payments in accordance with the consumption or sale of the inventories and that the periods for repayment of the credits, reckoned from the date of commencement of use of the credits or--on inventories of tobacco--from the date of commencement of use of each tranche of the credits, are not longer than as specified below:

- 1) 12 months--on inventories of wheat, polished rice or rice, corn, oilseed or raw domestic oil and sugar beets and sugar, and not to extend beyond the following dates: 31 July for wheat, 31 October for polished rice and rice, 31 October for corn intended for production of livestock feed and 31 May 1981 for export and industrial processing, 30 September for raw domestic oil and 31 October 1981 for sugar beets and sugar;
- 2) 8 months--for inventories of seed wheat and seed corn, but not to extend beyond the following dates: 31 January 1981 for wheat and 31 May 1981 for corn;
- 3) 15 months--for inventories of tobacco, not to extend beyond 31 May 1982.

The provision of Point 25, Paragraph 3, of this order shall also apply to credits covering inventories of seed wheat and seed corn covered by this point.

28. Banks may use credits for the credit financing of seasonal inventories of table grapes and apples in coolers, inventories of domestic wine in wine cellars in the public sector, inventories of meat in coolers and inventories of dairy products up to the amount of 30 percent of the amount of credit which they have extended on those inventories to organizations of associated labor, but not to exceed 30 percent of the value of the inventories covered by the credits.

The periods for repayment of the credits referred to in Paragraph 1 of this point, reckoned from the date of commencement of use of the credit, may not be longer than as follows:

- 1) 6 months--on inventories of table grapes and apples in coolers, provided they do not extend beyond 30 April 1981;
- 2) 12 months--on inventories of wine in wine cellars in the public sector, provided they do not extend beyond 31 October 1981;
- 3) 3 months--on inventories of meat in coolers;

4) 3 months--on inventories of domestic dairy products.

The users of credits covered by this point may be the following:

- i. for inventories of table grapes and apples in coolers--organizations of associated labor in the production sector and organizations engaged in the wholesale trade in these products, for the amounts stored in coolers;
- ii. for inventories of wine--organizations of associated labor engaged in the production of wine;
- iii. for inventories of dairy products--organizations of associated labor engaged in the processing of milk to make dairy products;
- iv. on inventories of meat in coolers--organizations of associated labor in the meatpacking industry.

Inventories of wine which may be financed with credit under the provisions of this point are understood to be inventories of wine produced in accordance with the regulations of the republics and autonomous provinces.

Inventories of dairy products which may be financed with credit under the provisions of this point are understood to be inventories whose quality meets the usual standards.

29. Banks may use credits for the credit financing of socially organized production and inventories of farm products and processed foods as referred to in Points 25 through 28 of this order on the basis of the following documents which they submit to the national bank:

- 1) contracts concerning credits which the bank has extended to organizations of associated labor, separately for each type of production or livestock fattening or inventory, with a survey of the agreed schedule for repayment of the credit;
- 2) self-management accords or production and delivery contracts concluded between organizations of associated labor as referred to in Points 25 and 26 of this order;
- 3) bills and other documents or extracts from the last monthly bookkeeping statement on the amount and value of inventories on which credit is being used as referred to in Points 27 and 28 of this order;
- 4) statement of the Fund for Advancement of the Production and Sale of Livestock and Livestock Products or of a corresponding self-managed community (fund or the like) in the republic or autonomous province certifying registration of the agreed fattening and delivery of livestock or poultry for which the credit referred to in Point 26 of this order is being used;

5) statement of the Fund for Stimulation of Exports of Grain and Processed Grain Products as to registration of the contract on production and delivery of seed wheat and seed corn on the basis of which the credits referred to in Points 25 and 27 of this order are being used.

In addition to the documents referred to in Paragraph 1 of this point, which are submitted to the national bank, on credits extended to organizations of associated labor the banks are also required to furnish the other usual documentation from which it can be confidently ascertained that the credits granted are being used for the purpose specified and that they are covered at all times by the corresponding value of the credit-financed production or inventories of the specified farm products and processed foods.

30. The value of production and inventories of farm products and processed foods for purposes of determining the level of the share of primary note issue in short-term credit financing of that production or those inventories under this order shall be computed at the prescribed guaranteed (support) prices and--in the case of products on which such prices have not been prescribed--at producers' sales prices minus 15 percent.

Credits for Credit Financing Imports of Particular Goods From the Developing Countries and Other Countries of Certain Currency Areas

31. Banks may use credits for the credit financing of imports of particular goods from the developing countries and from other countries of particular currency areas (Point 13, Subparagraph 3) for the credit financing of imports of basic raw materials and other products as designated by the Federal Secretariat for Foreign Trade, on the basis of documentation specified by the Yugoslav National Bank.

Credits for Credit Financing of the Sale or Purchase of Domestic Equipment and Ships on Credit Within the Socialist Federal Republic of Yugoslavia

32. Banks may use credits for the sale or purchase of domestic equipment and ships on credit within the Socialist Federal Republic of Yugoslavia (Point 13, Subparagraph 4) as follows:

1) for sales on credit--on the basis of bills of exchange which have not come due and which have been issued on the basis of Article 38 of the Law on Assurance of Payments Between Users of Public Assets which the banks have in their own bill of exchange portfolio and which they have purchased from organizations of associated labor which are manufacturers of domestic equipment or ships (discounted) in the manner and under the conditions prescribed in Articles 16 and 17 of that law;

2) for sales on credit--on the basis of contracts on the credits which the banks have extended to manufacturing organizations of associated labor on the basis of bills of exchange which have not come due and which have been issued under sales contracts on the basis of Article 38 of the Law on

Assurance of Payments Between Users of Public Assets, and which those organizations have in their own portfolio;

3) for purchase--on the basis of contracts concerning the credits extended to organizations of associated labor which are investors in the purchase of domestic equipment or ships on credit--on the basis of sales contracts concluded no earlier than 2 April 1977, which was the date when the Order on Measures To Implement Monetary-Credit Policy in 1977 took effect, and on the basis of bills of exchange which the banks obtained to secure repayment of the credits extended.

Banks may use the credits for the sale of domestic equipment or ships on credit covered by the provision of Subparagraph 2 of Paragraph 1 of this point in an amount up to 38 percent of the amount of accounts receivable on credits extended to organizations of associated labor which are the producers coming due for collection within a period of 2 years, beginning with the date of use of the credit from the national bank.

Banks may use credit for the purchase of domestic equipment or ships covered by the provision of Subparagraph 3 of Paragraph 1 of this point in an amount not to exceed 38 percent of the amount of accounts receivable under credits extended to organizations of associated labor which are the investors coming due for collection within a period of 2 years reckoned from the date of use of the credit from the national bank.

For the purpose of this point a "sale on credit" is a sale of equipment or ships on credit whose payment period is not less than 2 years.

For the purpose of this point "domestic equipment or ships" means finished products of organizations of associated labor in the following industries: metal manufacturing, machinebuilding, transportation equipment manufacturing, shipbuilding and the manufacturing of electric machines and apparatus intended for investments in the fixed assets of organizations of associated labor (Article 2 of the Agreement on the Credit Financing of Sales of Equipment and Ships in Yugoslavia From 1977 to 1980--SLUZBENI LIST SFRJ, No 11, 1978).

Payments for phases in the production of ships and other floating maritime and river structures and other equipment produced by phases--up to the level of the value of the various phases completed--shall be equivalent to the sale or purchase of domestic equipment and vessels on credit in the context of this point provided the customer--investor--has assumed the obligation to make payments by phases and has presented to the manufacturer bills of exchange issued in the context of the provision of Subparagraph 1 of Paragraph 1 of this point in the amount of the value of the completed phase.

Credits for Credit Financing of Market Commodity Reserves

33. Banks may use credits for the credit financing of market commodity reserves of the republics and autonomous provinces and federal market commodity reserves consisting of farm products and processed foods produced in Yugoslavia as referred to in Article 56 of the Agreement among the competent agencies set forth in the program up to the amount of 45 percent of the amount of credit which they have issued for this purpose from their own credit potential to organizations of associated labor or other public juridical persons in whose possession these reserves are being built up.

The period for return of the credits referred to in Paragraph 1 of this point may not be longer than 12 months reckoned from the date of use of each individual amount or tranche of the credit approved.

Banks may use the credits covered by this point on the basis of the following documents which they submit to the national bank:

- 1) contracts concerning credits which the bank has extended to organizations of associated labor or to other public juridical persons in whose possession these reserves are built up;
- 2) the contract on storage of the commodity reserves concluded between the user of the credit and the warehouse operator stating among other things the warehouse operator's obligation to furnish the user of the credit monthly data on the status of products stored;
- 3) bills and other documents proving the amount and value of the commodity reserves to be financed with credit;
- 4) a survey of the agreed schedule for repayment of the credit.

Credit Financing of Coal Reserves at Thermal Electric Power Plants and Other Large Consumers of Coal in the Economy and in the Distribution Sector in Major Centers of Consumption

34. Banks may use credits for the credit financing of inventories of domestically produced coal (Point 13, Subparagraph 6) as follows:

- 1) for the credit financing of coal inventories at thermal electric power plants and other major consumers of coal in the economy whose coal consumption is continuous throughout the year;
- 2) for the credit financing of coal inventories at organizations of associated labor in the economy which are major consumers of coal and whose coal consumption is seasonal in the course of the year (the season of the production campaign and the heating season);

3) for the credit financing of coal inventories in the distribution sector in major centers of consumption.

35. Banks may use credits for the credit financing of coal inventories at thermal electric power plants and other major coal consumers in the economy (Point 34, Subparagraph 1) up to the amount of 30 percent--and at thermal electric power plants in the period from 1 April to 30 June up to the amount of 45 percent--of the amount of credit which they have extended on those inventories to organizations of associated labor, but not to exceed 25 percent of the value of credit-financed inventories necessary for average consumption up to 45 days.

Aside from thermal electric power plants, the users of credit from this point may also be other organizations of associated labor in the economy whose coal consumption is continuous and whose total consumption during the year is at least 120,000 tons.

The periods for repayment of the credits referred to in this point may not be longer than 45 days reckoned from the date of their use.

36. Banks may use credits for the credit financing of coal inventories held by organizations of associated labor in the economy which are major coal consumers and whose coal consumption in the course of the year is seasonal in nature (Point 34, Subparagraph 2) up to the amount of 30 percent of the amount of credit which they have extended on those inventories to those organizations of associated labor, but not to exceed 25 percent of the value of credit-financed inventories of coal purchased in the period from 1 April to 30 September 1980.

Organizations of associated labor in the economy whose total annual coal consumption amounts to at least 30,000 tons may qualify for the credit covered by this point.

The periods for repayment of the credits referred to in Paragraph 1 of this point may not be longer than 6 months reckoned from the date of their use and may not extend beyond 28 February 1981.

37. Banks may use credits for the credit financing of coal inventories in the distribution sector in major centers of consumption (Point 34, Subparagraph 3) up to the amount of 30 percent of the amount of credit which they have extended for that purpose to organizations of associated labor in the distribution sector whose business is the trade in fuel, but not to exceed 25 percent of the value of credit-financed inventories purchased from coal mines from 1 April to 30 June 1980.

An organization of associated labor engaged in the trade of fuel and having a total average volume of delivery of at least 50,000 tons of coal to final consumers may qualify for the credit covered by this point.

The periods for repayment of the credits covered by this point may not be longer than 6 months reckoned from the day of their use and may not extend beyond 31 January 1981.

38. Banks may use the credits covered by Points 35 through 37 of this order for the credit financing of coal inventories on the basis of the following documents, which they shall submit to the national bank:

- 1) contracts on credits which the bank has extended to organizations of associated labor for the credit financing of the various stocks of coal;
- 2) sales contracts and coal delivery schedules concluded between organizations of associated labor as referred to in Points 35 through 37 of this order and organizations of associated labor which are coal producers;
- 3) invoices and other documents proving the amount and value of the coal inventories financed with credit.

In addition to the documents referred to in Paragraph 1 of this point which they shall supply to the national bank, on credits extended to organizations of associated labor the banks must also furnish other customary documentation from which it can be confidently ascertained that the credits extended are being used for the specified purpose and that they are covered at all times by the corresponding value of the coal inventories financed with the credit.

39. The value of coal inventories for purposes of determining the level of the share of primary note issue in the credit financing of inventories under this order shall be computed at the purchase prices of coal.

IV. Terms and Conditions Related to Negotiating Interest Rates

40. The national bank shall purchase bills of exchange and extend credits to banks under this order provided that the banks have discounted those bills of exchange or extended credits to organizations of associated labor at the discount rates or interest rates envisaged by the self-management accord of the banks.

V. Transitional and Final Provisions

41. The dinar equivalent of foreign means of payment and foreign securities, for purposes of determining the level of the share of primary note issue under this order, shall be computed by applying the relevant rate of exchange of the foreign currency which is specified by the federal regulation on determination of the rates of exchange of foreign currencies for determination of the base for computing customs duties and other import charges.

42. This order shall take effect on the eighth day after publication in SLUZBENI LIST SFRJ.

IMPLICATIONS OF ECONOMIC LAG IN KOSOVO DISCUSSED

Belgrade BORBA in Serbo-Croatian 12, 15 Feb 80

[Two part article by Vasa Rokic]

[12 Feb 80, p 5]

[Text] Development is Certain, but Success is Relative

Pristina (February)--The inhabitants of Kosovo are hospitable by tradition and ready to talk about everything that is a subject of current interest in that province, and in its capital city, which is a truly beautiful, pleasant, and dynamic university center with 100,000 students, who can be found easily, always, and everywhere: among fellow travelers in the train or bus, among chance acquaintances in a hotel or cafe, among colleagues, the journalists of Pristina, in work collectives, and in institutions of the city and province. Every one of these conversations is interesting in its own way, every one of them, in some detail, fills out the entirety of a single mosaic.

The Same as Everywhere

Looked at in its entirety, the mosaic of current conditions and attitudes in Kosovo is, in the main, the same that would have been painted in any other region of this country. In the main, the problems are the same, the joys and dissatisfactions are similar, and therefore, the subjects that constitute the everyday preoccupations of the people are the same.

...Prices are rising, the same as everywhere else, and where is this leading to, and how can they be restrained? Children grow, mature, go to school, obtain skills, but where and how are they to be employed. What can be done to keep them from wandering about the streets tomorrow, certificates and diplomas in hand, in a state of dejection and disillusionment, or from looking for work in the world? What can be done to put their youth, knowledge, and enthusiasm in service for the accelerated development of their country and their homeland?

Criticism is directed, therefore at many targets, most often at the conditions in their own environment. Perhaps since this is what is closest to them, they are best acquainted with it.

At times, the ideas of the citizenry as to what ought to be done and how it should be done is even naive, obviously, because they are insufficiently informed, they neglect certain important factors of an objective nature. However, most often, very mature observations and suggestions are given.

They say that it is necessary to develop the manufacturing industry, services, and small-scale handicrafts, trade, hotel accommodation, etc. Regarding agriculture and tourism Kosovo is very fortunate; it excels in natural beauty and in historical monuments.

Naturally, they are no strangers to subjects in the area of "pure politics." Quite the opposite! Let us say something about collective leadership. This is usually considered to be mainly the preoccupation of politicians. However, when one hears these conversations, and thinks about them for a while, it becomes clear that there is nothing strange in what is an otherwise widespread interest in "top level doings." For, whereas it appears that politicians most always approach this matter from an organizational aspect, the citizens give it their own approach based on prior experiences and newer observations. It is said, for example, that since the time that President Tito initiated the principle of collective leadership, there has been a considerable lessening of cases of arbitrary actions, hastily concocted decisions and excesses. Of course, also this is so because of the very awareness of the essential change in the role and power of political functioning.

Undoubtedly--most often such dialogs end this way--Comrade Tito, in initiating collective leadership and an annual mandate for all political functions, wanted this very thing to be attained.

And because this cue comes in by itself somehow, the conversation is carried over to new subjects: about Tito, about his recuperation, about the endless streams of letters that people from all social backgrounds and all age groups are sending to the Ljubljana Hospital addressed to Tito. Then suddenly, the memories of a relatively recent but very precious event are added to this: Tito's visit to this province and the enormous welcome that the people of Kosovo prepared for him. In Pristina, a small dispute arose in connection with this, but only for a moment. Why was it, the citizens ask, that the motorcade did not slow down more on entering the city so that the people could greet their dearest guest? Right after hearing this, Tito, it is said, went out of the Hotel "Grand" where he was staying, and practically fell upon the vast mass of people who surrounded him on the streets.

Success, but Also Difficulties

To tell the truth, the most important part of the Kosovo political mosaic and the part that is the most profound in content has been obtained,

however, in institutions where columns of data on all aspects of life, the paths of development, and the problems of Kosovo Province are received and rapidly analyzed. The most responsible political functionaries of Kosovo pointed them out, along with supporting explanations. They were given, also for the public, very sincerely, in great detail and comprehensively.

And thus, when this part of the Kosovo political mosaic is studied further, many things are comprehended more clearly which otherwise could not be learned from conversations with chance acquaintances, citizens, and even colleagues, and could not be sensed in the atmosphere. At least not immediately, or at first glance.

For Kosovo, in particular, even during the course of the last 4 years of the medium term plan, has been going through a strong boom period. The social product grew at a rate of 7.8 percent; industrial output at 11.2 percent; and agriculture, at a rate of 3.6 percent. Productivity rose 3.8 percent every year, and jobs were open for 32,000 new workers. Among the employed, there are 62 percent skilled and highly-skilled workers or workers with intermediate, advanced, and higher education. The share of industry in the social product has been increased by 41 percent, and that of agriculture has been reduced by 20 percent. Today, farmers account for 45 percent of the total population. A total of 323,000 km of asphalt roads have been built. There are 31,000 full time students and 12,000 part-time students studying at Pristina University and at advanced schools. There are about 70,000 students in intermediate schools, and about 300,000 pupils at directed learning schools.

And if it were possible at any time to view Kosovo isolated from the other parts of Yugoslavia, the picture depicting its development would really be very impressive. However, Kosovo is a part of the country which has been developing slower in the last 4 years than what had been desired and what the agreed-on plans had called for. Thus, the national income of a Kosovo inhabitant fell from the planned 37 to 32, and then to 28.8 percent of the Yugoslav average. Currently, it is even below the Macedonian, Bosnia-Hercegovinan, and Montenegrin percentages.

The degree of economic development of one region is always in direct correlation with the difficulty of the problems it has to cope with. The presence of these problems, in truth, cannot be felt in the political atmosphere, but even the political climate is not something that cannot be changed. There was a time, it is said (and regrettably, this is something we all know), when it was difficult to be an Albanian in Kosovo. Today, this is no longer difficult, no more difficult than it is to be a Serb, a Montenegrin, a Turk, or a member of any other national group. This praiseworthy reality is a tremendous success of the policy of the LCY and is a very strong support to the current political climate in Kosovo Province. However, although today every citizen of Kosovo, without any sort of problems, can be a good member of his national group, and citizen of his province and Yugoslavia, it is not at all easy--and this is how it goes more and

more frequently--to even be a communist in Kosovo. For, in addition to the problems whose causes can be easily explained and understood, there are also a good deal of the kinds of problems where ordinary explanations appear to have less and less credibility.

It is realized that all of these are only temporary difficulties. However, if this is how it really were, the developmental problems of Kosovo would have to become not only a subject of comprehensive analyses, but immediately after, an object of appropriate measures. For,--we are saying this openly--in the years to come, Yugoslavia will demonstrate in Kosovo its devotion to the principles of the economic relations for which it is struggling both on the domestic front and in the international arena, as it has done so far, and in which we demonstrated no small results in the past period, realistically speaking.

[15 Feb 80, p 5]

[Text] Why Kosovo Lags Behind

Pristina, February--It is not difficult to determine why Kosovo is lagging behind and what ought to be done for it to develop more rapidly, but it is much more difficult to even realize this, especially since during the last 4 years, the national income per capita has shown signs of falling off relative to the Yugoslav average.

The statements which are heard more and more often in Pristina, especially among communists, will probably appear to be somewhat odd to many people. However, the more carefully a person starts to get interested in the motives that inspire them, the clearer the entire complexity of the current socio-political period in Kosovo which these very statements may express most succinctly.

They say: "It is difficult to be a communist in Kosovo."

Of course, it has never been easy at all to be a communist--if by this concept, one means an active fighter for the progressive development of society and the relationships in it, who is involved heart-and-soul in his work. Quite the opposite of easy! However, but why is it more difficult today in Kosovo than it had been before?

The Boom and Measures

Although current economic conditions in any part of Yugoslavia or anywhere else in the world are not rosy, it is known, however, that they are most difficult in Kosovo. And the weight of the economic problems always is reflected in the most direct way in the plethora of all other failures also.

Kosovo, of course, is also under development. Some measures could be discussed rather rapidly. The average annual growth of industrial production of 11.2 percent is also akin to a rapid boom. And not only industry is growing. Kosovo as a whole is growing. After all, this is readily noticed even with a most superficial look at its cities, villages, roads, and at the economic indicators from almost all areas of social development.

And, if one were able to look over the developmental indicators of Kosovo at some occasion, isolated from the development of the other parts of Yugoslavia, it would be something very impressive. However, Kosovo is a part of this country, and the parameters for the evaluation of the development of every individual region are in it, but in a different way. By these criteria, the development of Kosovo indicates considerable signs of a lag.

It was planned, in other words, that during the course of the current medium term development period,--so that this province would catch up to the other parts of Yugoslavia more rapidly--that the boom in Kosovo had to be more precipitous than the development in another region of this country. During the past 4 years, the national income of Kosovo, calculated on a per capita basis, fell from 37 percent of the Yugoslav average to 32 percent at first, and then to 28 percent.

Behind the Indicators

Economic indicators, if one does not also give specific consideration to everything that they really represent, can easily be deceiving. For instance, the average annual growth in employment of about 7 percent looks impressive also. However, what does 7 percent mean in a province where out of 1.7 million inhabitants, a total of about 170,000 are employed, in other words, only one out of 10 adults are employed?

Or, 73 percent of the total population of Kosovo is less than 35 years old, and more than half of the total population is less than 19 years old. For that reason, currently, there are 300,000 pupils in directed learning schools alone. Each year, 30,000 boys and girls mainly trained for skilled work in production come out of these schools, and in addition to this, people are also coming from the villages, for there is a surplus of people in agriculture also. Kosovo is a part of Yugoslavia that is overpopulated in its farm areas. According to the records, the number of those who are looking for work at the present time is something over 60,000.

So, in such a situation, how does one distinguish the truth, and in this truly most sensitive question of human existence as well?

The Train of Causes

Very extensive analyses of the causes of Kosovo's lag exist; however, many stories are also circulating, mainly outside this province, which are

mainly based on lack of information, unfamiliarity with the facts, and at times, on deliberately concocted misinformation.

Nevertheless, there are many causes. Among them are subjective causes as well. The organization of work could be better and productivity could be higher. But, how about where this is not the case? It is not by chance, after all, that careful analysts of Kosovo conditions, in analyzing the causes of lagging, put the causes of a subjective nature in last place. For it is clear to everyone that Kosovo is unable to develop with only its own resources. It must have help in this, because this help is not only in the interest of this province, but also in the interest of all of Yugoslavia. However, if in spite of all of this acknowledgement, after several years, it still turns out that in Yugoslavia as a whole, the investment programs have been exceeded to a considerable extent, that all records have been broken, and that investments have had to be limited by administrative measures, and that only in Kosovo they have not even been fulfilled by 50 percent of the planned volume (46.2 percent was realized), then it is clear that the cause of this does not have to be searched for in Kosovo alone.

Large investments from other parts of Yugoslavia on the basis of association of resources and labor had been counted on in the planning of aid for the development of Kosovo. Currently it is stated that during the past 4 years, this part of investments amounted to 0.3 percent of the total investments. And if the cause of this also is not in Kosovo, as is stated, then it is necessary to find out where it lies.

It is Easier to Determine the Causes Than to Eliminate Them

The cause of the lagging development of Kosovo lies also in the obviously unfavorable structure of its economy. It does have several giants, but this is mainly basic industry, the construction of which--in the interest of the entire country--has been stimulated because of the rich raw materials base which Kosovo abounds in. Three-quarters of the electric power produced--and it constitutes 45 percent of the total social product of the province--is consumed outside Kosovo. Such is the case, mainly, with the other giants, the huge thermoelectric power stations in Obilic. For instance, "Trepca" is losing 300 million dinars annually only because of the difference between the domestic and world prices of lead (the world price is higher), which sum coincides almost exactly with the total losses of this giant. However, the old social agreement on the prices of lead remain in effect, for the domestic consumers are unable to pay the world price.

This kind of economic structure--based on costly investments which are put into effect slowly--also brings about a low funding accumulation rate and everything else that is its aftermath: insufficient internal funds for further development of Kosovo Province, a low employment rate, and a plethora of social and other problems. Thus, also, the only solution to the current plight lies in the rapid conversion of the economic structure of Kosovo, in the development of a manufacturing industry.

Of course, all of this can be easier said than done. Not only are considerable funds needed for this kind of direction of development, but competition is the keenest in the branches of the manufacturing industry--both on the domestic and the world markets. Many have already acquired excess capacity in the area. And under conditions of fierce competition, the least developed one with the least experience suffers the most. Thus, if we desire a coordinated development of all parts of Yugoslavia, and this is not just an economic but a strategic and political question, we must not neglect either the search for cure for these problems, or the consequences that derive from them.

In any case, the strengthened efforts of the whole of society in the support of the rapid ascent of Kosovo--through various forms--must be comprehended as one of the primary needs of over-all Yugoslav development in the coming years, the way that it has been pointed out also in the Resolutions of the November Session of the Presidium of the LCY Central Committee.

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